News release

25 July 2019

Breedon Group plc

("Breedon" or "the Group")

Interim results (unaudited) for the six months ended 30 June 2019

Breedon Group plc, a leading construction materials group in Great Britain and Ireland, announces its unaudited interim results for the six months ended 30 June 2019.

	30 June 2019	**30 June 2018**	**Change**
Revenue	£447.4 million	£378.4 million	+18%
Underlying EBIT†	£49.5 million	£42.0 million	+18%
Profit before tax	£39.5 million	£30.4 million	+30%
Underlying basic EPS†	2.03 pence	1.96 pence	+4%
Net debt	£343.7 million	£383.6 million	-10%

† 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.

9.9 million tonnes of aggregates sold (30 June 2018: 9.3 million tonnes)

1.4 million tonnes of asphalt sold (30 June 2018: 1.2 million tonnes)

1.5 million cubic metres of ready-mixed concrete sold (30 June 2018: 1.6 million cubic metres)

1.0 million tonnes of cement sold (30 June 2018: 0.9 million tonnes)

Highlights

- An improved performance has been delivered across the business
- The results benefited from a full six-month contribution from Lagan
- The Group maintained strong cash generation
- Leverage has been held at 2.0x EBITDA, post adoption of IFRS 16
- A healthy acquisition pipeline is in place
- July has started well and the medium-term market outlook remains positive
- The Board remains confident of meeting full year expectations

Pat Ward, Group Chief Executive, commented:

“We are pleased once again to be reporting an improved performance by the Group in the first half. The period began well, with benign weather in the first quarter and generally healthy demand for our products, particularly in England, Wales and the Republic of Ireland, somewhat offset by fewer large projects in Scotland. Our performance in the second quarter was adversely impacted by lower volumes in Great Britain due to a flat construction market, ongoing project delays and competitive trading conditions. However demand in Ireland remained robust.

“Despite the near term uncertainties, July has started well and enquiry levels in Great Britain are encouraging, giving us confidence in a stronger second half. We have a healthy acquisition pipeline, the medium-term outlook for our markets is positive and the Board remains confident of meeting full year expectations.”

- ends -

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

Breedon will host a meeting for invited analysts at 9.00am today and there will be a simultaneous webcast of the meeting. Please use this link to join the webcast: https://webcasting.brrmedia.co.uk/broadcast/5d1dbbfada68dd4b10ae6fdd

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

Enquiries

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Note to Editors

Breedon Group plc is a leading construction materials group in Great Britain and Ireland. It operates two cement plants and an extensive network of quarries, asphalt plants and ready-mixed concrete plants, together with slate production, concrete and clay products manufacturing, contract surfacing and highway maintenance operations. The Group employs nearly 3,000 people and has nearly 900 million tonnes of mineral reserves and resources.

Breedon Group plc
Interim results (unaudited) for the six months ended 30 June 2019

Group results

Breedon Group, a leading construction materials group in GB and Ireland, today announces its unaudited results for the six months ended 30 June 2019.

We are pleased once again to be reporting an improved performance by the Group in the first half. The period began well, with benign weather in the first quarter and generally healthy demand for our products, particularly in England, Wales and RoI, somewhat offset by fewer large projects in Scotland. Our performance in the second quarter was adversely impacted by lower volumes in GB due to a flat construction market, ongoing project delays and competitive trading conditions. However demand in Ireland remained robust.

Group aggregates volumes for the half-year were up six per cent at 9.9 million tonnes, asphalt volumes were up 20 per cent at 1.4 million tonnes, ready-mixed concrete volumes were down five per cent at 1.5 million cubic metres and cement volumes were up 19 per cent at 1.0 million tonnes. Like-for-like* aggregates volumes were down eight per cent, asphalt volumes were down four per cent, ready-mixed concrete volumes were up two per cent and cement volumes were up five per cent.

Revenue for the half-year at £447.4 million was 18 per cent ahead of 2018 (£378.4 million). On a like-for-like basis, revenue was up two per cent on 2018. Underlying EBIT was £49.5 million, 18 per cent ahead of 2018 (£42.0 million). On a like-for-like basis, Underlying EBIT improved by 11 per cent. The Group's Underlying EBIT margin was maintained at 11.1 per cent.

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

* Excluding the impact of acquisitions and disposals

Financial highlights

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Variance
Revenue			
Great Britain	**298.1**	297.9	-
Ireland	**93.5**	36.9	+153%
Cement	**93.4**	78.0	+20%
Eliminations	**(37.6)**	(34.4)	
Total	**447.4**	378.4	+18%

Financial highlights (continued)

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Variance
Underlying EBIT			
Great Britain	**30.8**	30.5	+1%
Ireland	**8.9**	4.4	+102%
Cement	**15.8**	12.0	+32%
Central administration	**(6.8)**	(5.8)	
Share of associate and joint ventures	**0.8**	0.9	
Total	**49.5**	42.0	+18%
Underlying EBIT margin	**11.1%**	11.1%	

Operating performance

Our results demonstrate the benefits we gain from the broad geographical spread of our operations. Our GB business performed well overall, despite the challenges of a highly competitive market, whilst our business in Ireland enjoyed a strong six months and our Cement business delivered a solid performance.

Our operations in Scotland faced subdued market conditions, coupled with the completion of several large publicly-funded projects which have so far not been replaced. However, we maintained our market-leading position, winning a healthy proportion of the available work and continuing to provide innovative solutions to our customers. We were particularly pleased to be awarded a major supply and lay contract on the next phase of the A9 Dualling Programme which will commence in the second half of this year.

Our operations in England and Wales experienced better market conditions and we won work from a broad spectrum of customers across all construction sectors. Improved pricing reflected a change in mix, trending towards higher-value aggregates. We were particularly pleased with the performance of two of our flagship quarries, at Dowlow and Holme Hall, which are now amply demonstrating the benefits of the significant investment they have received over the past two years. The quarries and asphalt plant acquired from Tarmac in 2018 have been fully integrated and are performing well.

Lagan, our RoI business, experienced continued growth against a strong economic background, with new surfacing and maintenance contracts won in a number of City and County Councils including Dublin, Sligo, Waterford, Cork and Kilkenny. Whitemountain, our business based in NI, also experienced a busy period, with numerous term contract orders received in NI and a significant contract awarded by DP World for the construction of distribution park spine roads at the London Gateway logistics hub in Essex.

The solid performance by our Cement business was delivered alongside the successful completion of two of its three scheduled annual shutdowns during the first half.

Organic development

Nearly £20 million of capital expenditure was deployed in the first six months. Major projects included a new secondary crusher and screen at our Shierglas quarry near Pitlochry and a new primary crusher at Temple quarry near Belfast, together with the commencement of the replacement of the raw mill drive at our Hope cement works. A mobile concrete plant was installed at Loak Farm quarry to service upcoming work on the A9 Dualling contract, with a mobile asphalt plant to follow on the site later this year. A multi-million-pound investment in our quarry at Holme Hall in South Yorkshire secured substantial additional minerals there and further extensions were gained at Boyne Bay in Aberdeenshire and Norton Bottoms in Lincolnshire. We also opened a limestone quarry at Ashwood Dale in Derbyshire to provide complementary reserves to Dowlow, where demand has been running at particularly high levels.

Integration of Lagan Group

We have good reason to be pleased with our progress on integrating Lagan's operations into the Group. It is barely 15 months since we completed the acquisition and a great deal has been achieved. Our current synergy run-rate is £4 million and we remain on track to deliver our planned £5 million of annual synergies from Lagan by the end of next year.

Board changes

On 29 May Peter Tom, who had served as our Executive Chairman since the creation of the Group, retired from the Board and was succeeded as Non-Executive Chairman by Breedon's Deputy Chairman, Amit Bhatia. At the time of the announcement we confirmed that two new independent Non-Executive Directors will be appointed before the 2020 AGM at the latest, replacing two of our longest-serving Board members who will, in accordance with best practice, both be stepping down in due course.

We are pleased to announce that Clive Watson is to be appointed a Non-Executive Director with effect from 1 September 2019. Clive was until recently Group Finance Director of Spectris PLC, the leading provider of productivity-enhancing instrumentation and controls, prior to which he held a number of senior finance positions with international businesses in the UK and overseas. He served as a Non-Executive Director of Spirax-Sarco Engineering PLC from 2009 to 2019, including as Chair of the Audit Committee and latterly Senior Independent Director, and is due to join DiscoverIE Group PLC as a Non-Executive Director in September 2019. It is anticipated that Clive will assume the Chair of the Audit Committee when Susie Farnon steps down from the Board early next year.

Good progress is being made in the search for a second non-executive appointee.

Safety of colleagues

Our LTIFR, one of the industry metrics by which we track the Group's health & safety performance, remained above our target during the first half due to the lagging effect of several Lost Time Injuries reported in the second half of 2018. Although our safety record remains somewhat better than the industry average, we nonetheless recognise the need to continue embedding a culture of safe behaviour throughout our business.

Safety of colleagues (continued)

With the Group now employing nearly 3,000 people across a wide range of operations and geographies, we have appointed a Group Head of Health, Safety & Environment to lead our efforts in this crucially important area, ensuring that we have a robust and sustainable strategy in place to keep our colleagues safe and our environmental impact to a minimum.

Balance sheet and cash flow

Net assets at 30 June 2019 were £805.9 million, compared to £773.3 million at 31 December 2018 and £724.2 million at 30 June 2018.

Net cash from operating activities was £32.1 million, after an increase in working capital and provisions of £32.9 million as a result of the seasonal requirements of the business. Net cash used in investing activities was £17.1 million, after capital expenditure of £19.3 million. Finally, net cash used in financing activities was £29.6 million, after repayment of loans of £23.9 million, this being primarily the first annual repayment instalment of the term loan.

As guided previously, the adoption of IFRS 16 - *Leases* in 2019 under the 'modified retrospective' approach did not have a material impact on the Income Statement at the Underlying profit before tax level: an increase in Underlying EBITDA was offset by increased depreciation and interest costs. However, £47.0 million of additional debt has been recognised on adoption as at 1 January 2019. This increase in debt will not impact our ability to comply with the covenants associated with our banking facility, as these are tested by reference to accounting policies that were in place at the time the facility was entered into.

Net debt at 30 June 2019 was £343.7 million, compared to £310.7 million at 31 December 2018 and £383.6 million at 30 June 2018, and leverage was 2.0 times. Excluding the impact of the adoption of IFRS 16 - *Leases*, net debt at 30 June 2019 would have been £297.8 million and leverage would have been 1.8 times, compared with 2.0 times at 31 December 2018, 2.3 times at 30 June 2018 and the proforma 2.6 times at the time of the Lagan acquisition in April 2018. This deleveraging clearly demonstrates the highly cash-generative nature of the Group.

Outlook

Although Brexit-related uncertainties continue to cast a shadow over the GB economy, with construction growth this year likely to remain flat, the outlook for 2020 and 2021 is more encouraging and we expect to benefit in particular from healthy demand from the infrastructure, housing and industrial sectors. In Ireland, commentators expect construction output to continue rising this year, with particularly strong growth in RoI, and a further healthy increase to follow in 2020.

Breedon remains committed to delivering value for our shareholders through an efficient and flexible business model which enables us to achieve consistent organic growth however challenging the markets in which we operate may be. We look to augment this with earnings-enhancing acquisitions. We are increasingly diversified, in terms of both geography and products, and our business is underpinned by substantial, scarce mineral reserves and resources and two highly-invested cement plants, supported by an outstanding management team.

Outlook (continued)

Despite the near term uncertainties, July has started well and enquiry levels in GB are encouraging, giving us confidence in a stronger second half. We have a healthy acquisition pipeline, the medium-term outlook for our markets is positive and the Board remains confident of meeting full year expectations.

As always, we owe the progress we have made to the efforts of our exceptional colleagues around the business and on behalf of the Board we extend our thanks to them all.

Pat Ward
Group Chief Executive

Rob Wood
Group Finance Director

Breedon Group plc
Interim results (unaudited) for the six months ended 30 June 2019

Condensed Consolidated Income Statement
for the six months ended 30 June 2019

	Six months ended 30 June 2019			Six months ended 30 June 2018			Year ended 31 December 2018		
	Underlying	**Non-underlying* (note 5)**	**Total**	Underlying	Non-underlying* (note 5)	Total	Underlying	Non-underlying* (note 5)	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	**447.4**	**-**	**447.4**	378.4	-	378.4	862.7	-	862.7
Cost of sales	**(294.9)**	**-**	**(294.9)**	(248.1)	-	(248.1)	(556.9)	-	(556.9)
Gross profit	**152.5**	**-**	**152.5**	130.3	-	130.3	305.8	-	305.8
Distribution expenses	**(70.6)**	**-**	**(70.6)**	(61.9)	-	(61.9)	(145.5)	-	(145.5)
Administrative expenses	**(33.2)**	**(2.6)**	**(35.8)**	(27.3)	(7.0)	(34.3)	(58.5)	(11.8)	(70.3)
Group operating profit	**48.7**	**(2.6)**	**46.1**	41.1	(7.0)	34.1	101.8	(11.8)	90.0
Share of profit of associate and joint ventures	**0.8**	**-**	**0.8**	0.9	-	0.9	1.7	-	1.7
Profit from operations	**49.5**	**(2.6)**	**46.9**	42.0	(7.0)	35.0	103.5	(11.8)	91.7
Financial income	**-**	**-**	**-**	-	-	-	0.1	-	0.1
Financial expense	**(7.4)**	**-**	**(7.4)**	(4.6)	-	(4.6)	(11.9)	-	(11.9)
Profit before taxation	**42.1**	**(2.6)**	**39.5**	37.4	(7.0)	30.4	91.7	(11.8)	79.9
Taxation	**(7.9)**	**0.4**	**(7.5)**	(7.2)	-	(7.2)	(15.9)	0.6	(15.3)
Profit for the period	**34.2**	**(2.2)**	**32.0**	30.2	(7.0)	23.2	75.8	(11.2)	64.6
Attributable to:									
Equity holders of the parent	**34.1**	**(2.2)**	**31.9**	30.1	(7.0)	23.1	75.7	(11.2)	64.5
Non-controlling interests	**0.1**	**-**	**0.1**	0.1	-	0.1	0.1	-	0.1
Profit for the period	**34.2**	**(2.2)**	**32.0**	30.2	(7.0)	23.2	75.8	(11.2)	64.6
Basic earnings per ordinary share	**2.03p**		**1.90p**	1.96p		1.51p	4.70p		4.01p
Diluted earnings per ordinary share	**2.03p**		**1.90p**	1.95p		1.50p	4.68p		3.99p

* 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 2019

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit for the period	**32.0**	23.2	64.6
Other comprehensive income			
Items which may be reclassified subsequently to profit and loss:			
Foreign exchange differences on translation of foreign operations, net of hedging	**(0.8)**	0.4	6.6
Taxation on items taken directly to other comprehensive income	**-**	-	-
Other comprehensive income for the period	**(0.8)**	0.4	6.6
Total comprehensive income for the period	**31.2**	23.6	71.2
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	**31.1**	23.5	71.1
Non-controlling interests	**0.1**	0.1	0.1
	31.2	23.6	71.2

Breedon Group plc
Interim results (unaudited) for the six months ended 30 June 2019

Condensed Consolidated Statement of Financial Position at 30 June 2019

	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Non-current assets			
Property, plant and equipment	**699.9**	650.7	665.9
Intangible assets	**461.6**	455.4	467.0
Investment in associate and joint ventures	**7.1**	6.0	6.4
Total non-current assets	**1,168.6**	1,112.1	1,139.3
Current assets			
Assets held for sale	**-**	10.5	-
Inventories	**59.6**	52.7	54.8
Trade and other receivables	**195.3**	212.6	160.8
Cash and cash equivalents	**23.5**	33.1	37.6
Total current assets	**278.4**	308.9	253.2
Total assets	**1,447.0**	1,421.0	1,392.5
Current liabilities			
Interest-bearing loans and borrowings	**(45.3)**	(31.6)	(31.2)
Trade and other payables	**(182.9)**	(184.9)	(177.5)
Current tax payable	**(6.9)**	(7.3)	(7.3)
Provisions	**(2.7)**	(2.6)	(2.3)
Total current liabilities	**(237.8)**	(226.4)	(218.3)
Non-current liabilities			
Interest-bearing loans and borrowings	**(321.9)**	(385.1)	(317.1)
Provisions	**(34.7)**	(36.6)	(36.2)
Deferred tax liabilities	**(46.7)**	(48.7)	(47.6)
Total non-current liabilities	**(403.3)**	(470.4)	(400.9)
Total liabilities	**(641.1)**	(696.8)	(619.2)
Net assets	**805.9**	724.2	773.3
Equity attributable to equity holders of the parent			
Stated capital	**549.9**	548.9	549.0
Translation reserve	**5.8**	0.4	6.6
Retained earnings	**250.0**	174.6	217.5
Total equity attributable to equity holders of the parent	**805.7**	723.9	773.1
Non-controlling interests	**0.2**	0.3	0.2
Total equity	**805.9**	724.2	773.3

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2019

For the six months ended 30 June 2019

	Stated capital £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2018	**549.0**	**6.6**	**217.5**	**773.1**	**0.2**	**773.3**
Shares issued	**0.9**	**-**	**-**	**0.9**	**-**	**0.9**
Dividend to non-controlling interests	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Total comprehensive income for the period	**-**	**(0.8)**	**31.9**	**31.1**	**0.1**	**31.2**
Share-based payments	**-**	**-**	**0.6**	**0.6**	**-**	**0.6**
Balance at 30 June 2019	**549.9**	**5.8**	**250.0**	**805.7**	**0.2**	**805.9**

For the six months ended 30 June 2018

	Stated capital £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2017	377.8	-	150.1	527.9	0.2	528.1
Shares issued	174.8	-	-	174.8	-	174.8
Expenses of share issue	(3.7)	-	-	(3.7)	-	(3.7)
Total comprehensive income for the period	-	0.4	23.1	23.5	0.1	23.6
Share-based payments	-	-	1.4	1.4	-	1.4
Balance at 30 June 2018	548.9	0.4	174.6	723.9	0.3	724.2

For the year ended 31 December 2018

	Stated capital £m	Translation reserve £m	Retained earnings £m	Attributable to equity holders of parent £m	Non-controlling interests £m	Total equity £m
Balance at 31 December 2017	377.8	-	150.1	527.9	0.2	528.1
Shares issued	174.9	-	-	174.9	-	174.9
Expenses of share issue	(3.7)	-	-	(3.7)	-	(3.7)
Dividend to non-controlling interests	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the year	-	6.6	64.5	71.1	0.1	71.2
Share-based payments	-	-	2.9	2.9	-	2.9
Balance at 31 December 2018	549.0	6.6	217.5	773.1	0.2	773.3

Breedon Group plc
Interim results (unaudited) for the six months ended 30 June 2019

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2019

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Cash flows from operating activities			
Profit for the period	**32.0**	23.2	64.6
Adjustments for:			
Depreciation	**32.4**	24.9	52.6
Amortisation	**1.5**	1.1	4.2
Financial income	**-**	-	(0.1)
Financial expense	**7.4**	4.6	11.9
Share of profit of associate and joint ventures	**(0.8)**	(0.9)	(1.7)
Net gain on sale of property, plant and equipment	**(0.7)**	(0.7)	(0.5)
Share-based payments	**0.6**	1.4	2.9
Taxation	**7.5**	7.2	15.3
Operating cash flow before changes in working capital and provisions	**79.9**	60.8	149.2
(Increase)/decrease in trade and other receivables	**(34.5)**	(39.1)	13.5
(Increase)/decrease in inventories	**(4.8)**	0.2	(0.6)
Increase/(decrease) in trade and other payables	**8.1**	7.9	(0.2)
Decrease in provisions	**(1.7)**	(0.5)	(1.3)
Cash generated from operating activities	**47.0**	29.3	160.6
Interest paid	**(4.7)**	(3.2)	(8.9)
Interest element of lease payments	**(1.4)**	(0.2)	(0.4)
Dividend paid to non-controlling interests	**(0.1)**	-	(0.1)
Income taxes paid	**(8.7)**	(7.2)	(16.5)
Net cash from operating activities	**32.1**	18.7	134.7
Cash flows used in investing activities			
Acquisition of businesses	**-**	(398.2)	(406.3)
Purchase of property, plant and equipment	**(19.3)**	(10.9)	(48.6)
Proceeds from sale of property, plant and equipment	**2.2**	1.3	4.9
Repayment of loan to joint ventures	**-**	0.1	0.4
Interest received	**-**	-	0.1
Dividend from associate and joint ventures	**-**	-	0.4
Net cash used in investing activities	**(17.1)**	(407.7)	(449.1)
Cash flows (used in)/from financing activities			
Proceeds from the issue of shares (net of costs)	**0.9**	171.2	171.2
Proceeds from new interest-bearing loans (net of costs)	**-**	409.7	409.7
Repayment of interest-bearing loans	**(23.9)**	(179.8)	(246.1)
Repayment of lease obligations	**(6.6)**	(2.9)	(7.4)
Net cash (used in)/from financing activities	**(29.6)**	398.2	327.4
Net (decrease)/increase in cash and cash equivalents	**(14.6)**	9.2	13.0
Cash and cash equivalents at beginning of period	**37.6**	23.9	23.9
Foreign exchange differences	**0.5**	-	0.7
Cash and cash equivalents at end of period	**23.5**	33.1	37.6

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.

Other than in respect of IFRS 16 - *Leases* which applies from 1 January 2019, 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 2018.

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 2018.

The comparative figures for the financial year ended 31 December 2018 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.

New IFRS Standards and Interpretations

IFRS 16 – *Leases*

The Group has adopted IFRS 16 – *Leases* from 1 January 2019. The primary impact of the new standard has been to bring arrangements previously accounted for under IAS 17 as operating leases on balance sheet, with a right-of-use asset and corresponding financial liability of £47.0m recognised on transition at 1 January 2019. There was no impact on net assets at the date of transition.

The right-of-use asset is presented within property, plant & equipment in the Consolidated Statement of Financial Position. It is measured at cost, comprising the initial amount of the lease liability adjusted for any lease prepayments, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is then depreciated using the straight-line method from the start of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is presented within interest-bearing loans and borrowings. It is measured at the present value of future lease payments, discounted at a rate which reflects both the Group's incremental borrowing rate, adjusted for the time value of money and the nature of the leased asset.

The Group has adopted the modified retrospective approach to implementation, meaning the asset and liability have been recognised from 1 January 2019 without restatement of comparative information for 2018, which continues to be reported under IAS 17. It has also elected to take advantage of the practical expedients permitted by the Standard not to recognise lease assets and liabilities in respect of short-term and low-value leases.

This accounting change does not impact the covenants on the Group's banking facility, as they are calculated with reference to the accounting standards adopted by the Group at the point at which the facility was taken out.

1 Basis of preparation *(continued)*

New IFRS Standards and Interpretations *(continued)*

The impact of the adoption of IFRS 16 on the Group for the six months ended 30 June 2019 has been as follows:

Impact of IFRS 16 on the Condensed Consolidated Income Statement for the six months ended 30 June 2019

	As reported £m	IFRS 16 adjustments £m	Amounts without adoption £m
Group operating profit	**46.1**	**(0.6)**	**45.5**
Share of profit of associate and joint ventures	**0.8**	**-**	**0.8**
Profit from operations	**46.9**	**(0.6)**	**46.3**
Financial income	**-**	**-**	**-**
Financial expense	**(7.4)**	**1.2**	**(6.2)**
Profit before taxation	**39.5**	**0.6**	**40.1**
Taxation	**(7.5)**	**-**	**(7.5)**
Profit for the period	**32.0**	**0.6**	**32.6**

Impact of IFRS 16 on the Condensed Consolidated Statement of Financial Position at 30 June 2019

	As reported £m	IFRS 16 adjustments £m	Amounts without adoption £m
Non-current assets			
Property, plant and equipment	**699.9**	**(46.0)**	**653.9**
Current assets			
Trade and other receivables	**195.3**	**0.7**	**196.0**
Change in total assets		**(45.3)**	
Current liabilities			
Interest-bearing loans and borrowings	**(45.3)**	**5.4**	**(39.9)**
Non-current liabilities			
Interest-bearing loans and borrowings	**(321.9)**	**40.5**	**(281.4)**
Change in total liabilities		**45.9**	
Change in total equity		**0.6**	

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 April 2022. The Group actively manages its financial risks and operates Board approved financial policies, including interest rate hedging policies, that are designed to ensure that the Group maintains an adequate level of headroom and effectively mitigates financial risks.

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

3 Financial risks, assumptions, estimates and judgements

In preparing these Interim Financial Statements, management have been required to make assumptions, estimates and judgements 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. There have been no material additional significant judgements made by management in applying the Group's accounting policies, nor key sources of estimation uncertainty compared to those applicable to the Consolidated Financial Statements for the year ended 31 December 2018 as set out in note 27 of the Annual Report for that year.

The Group's principal risks in alphabetical order are:

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

The Group is managing the potential impacts Brexit could have on it. Brexit is not presented as an additional principal risk but adds an additional level of uncertainty that increases the overall risk profile of the Group.

Further details of the main risks for the year ended 31 December 2018 are set out on pages 24 - 27 of the Group's Annual Report for the year ended 31 December 2018. 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. The directors continue to manage these risks and to mitigate their anticipated impact.

4 Segmental analysis

Segmental information is presented in line with IFRS 8 – *Operating Segments*. The Group is split into the same reportable units as it was for the Consolidated Financial Statements for the year ended 31 December 2018, which are as follows:

Great Britain comprising our construction materials and contracting services businesses in Great Britain.

Ireland comprising our construction materials and contracting services businesses on the Island of Ireland.

Cement comprising our cementitious operations in Great Britain and Ireland.

In the six months ended 30 June 2018, the Lagan business, which was acquired on 20 April 2018, was reported as a separate operating segment. The segmental analysis for the six months ended 30 June 2018 has therefore been restated to reflect the current operating segments of the Group.

	Six months ended 30 June 2019		Six months ended 30 June 2018 (restated)		Year ended 31 December 2018	
Income statement	**Revenue £m**	**EBITDA* £m**	Revenue £m	EBITDA* £m	Revenue £m	EBITDA* £m
Great Britain	**298.1**	**48.6**	297.9	45.1	609.8	92.2
Ireland	**93.5**	**12.4**	36.9	5.9	156.3	25.4
Cement	**93.4**	**26.9**	78.0	20.9	176.5	48.6
Central administration	**-**	**(6.8)**	-	(5.9)	-	(11.8)
Eliminations	**(37.6)**	**-**	(34.4)	-	(79.9)	-
Group	**447.4**	**81.1**	378.4	66.0	862.7	154.4

*EBITDA is earnings before interest, tax, depreciation, amortisation, non-underlying items (note 5) and before our share of profit from associate and joint ventures.

Reconciliation to statutory profit			
Group EBITDA as above	**81.1**	66.0	154.4
Depreciation and mineral depletion	**(32.4)**	(24.9)	(52.6)
Underlying operating profit			
Great Britain	**30.8**	30.5	61.4
Ireland	**8.9**	4.4	20.9
Cement	**15.8**	12.0	31.4
Central administration	**(6.8)**	(5.8)	(11.9)
	48.7	41.1	101.8
Share of profit of associate and joint ventures	**0.8**	0.9	1.7
Underlying profit from operations (EBIT)	**49.5**	42.0	103.5
Non-underlying items (note 5)	**(2.6)**	(7.0)	(11.8)
Profit from operations	**46.9**	35.0	91.7
Net financial expense	**(7.4)**	(4.6)	(11.8)
Profit before taxation	**39.5**	30.4	79.9
Taxation	**(7.5)**	(7.2)	(15.3)
Profit for the period	**32.0**	23.2	64.6

IFRS 16 adjustments have resulted in increases of £3.9m in EBITDA, £0.6m in EBIT, and a decrease of £0.6m in profit for the period for the six months ended 30 June 2019.

5 Non-underlying items

Non-underlying items are those which are either unlikely to recur in future periods or which distort the underlying performance of the business, including non-cash items. In the opinion of the directors, this presentation aids understanding of the underlying business performance and references to underlying earnings measures throughout this report are made on this basis. Underlying measures are presented on a consistent basis over time to assist in the comparison of performance.

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
***Included in administrative expenses*:**			
Redundancy and reorganisation costs	**0.6**	0.2	1.5
Acquisition costs	**-**	5.7	6.4
Loss on property disposals	**0.5**	-	0.2
Amortisation of acquired intangible assets	**1.5**	1.1	4.2
Gain on stepped acquisition of joint venture	**-**	-	(0.5)
Total non-underlying items (pre-tax)	**2.6**	7.0	11.8
Non-underlying taxation	**(0.4)**	-	(0.6)
Total non-underlying items (after tax)	**2.2**	7.0	11.2

6 Financial income and expense

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Bank deposits	-	-	0.1
Financial income	**-**	**-**	0.1
Bank loans and overdrafts	**(4.7)**	**(3.2)**	(8.9)
Amortisation of prepaid bank arrangement fee	**(0.6)**	**(0.5)**	(1.0)
Lease liabilities	**(1.4)**	**(0.2)**	(0.4)
Unwinding of discount on provisions	**(0.7)**	**(0.7)**	(1.6)
Financial expense	**(7.4)**	**(4.6)**	(11.9)

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 2019 has been based on the estimated effective weighted average rate applicable for existing operations for the full year. This is based on a combined effective rate of 19% per cent on profits arising in the Group's UK and Irish subsidiary undertakings with no tax deduction for expenses arising in Jersey.

A reduction in the UK corporation tax rate from 19 per cent to 17 per cent (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The UK deferred tax liability at 30 June 2019 has been calculated based on these rates.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

8 Interest-bearing loans and borrowings

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Non-current liabilities			
Secured bank loans	**278.1**	376.2	311.9
Lease liabilities	**43.8**	8.9	5.2
	321.9	385.1	317.1
Current liabilities			
Secured bank loans	**35.0**	25.0	25.0
Lease liabilities	**10.3**	6.6	6.2
	45.3	31.6	31.2

The Group's banking facilities comprise a term loan of £125m (30 June 2018 and 31 December 2018: £150m) and a multi-currency revolving credit facility of £350m (30 June 2018 and 31 December 2018: £350m). Interest was paid on the facilities during the period at a margin of between 1.60 per cent and 2.05 per cent above LIBOR or EURIBOR according to the currency of borrowings. The facility is secured by a floating charge over the assets of the Company and its subsidiary undertakings. The term loan is repayable in three further annual instalments up to April 2022. The revolving credit facility is repayable in April 2022.

Net Debt

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net debt comprises the following items:			
Cash and cash equivalents	**(23.5)**	(33.1)	(37.6)
Current borrowings	**45.3**	31.6	31.2
Non-current borrowings	**321.9**	385.1	317.1
Statutory net debt	**343.7**	383.6	310.7
IFRS 16 adjustments	**(45.9)**	-	-
Net debt excluding the impact of IFRS 16	**297.8**	383.6	310.7

9 Earnings per share

The calculation of earnings per share is based on the profit for the period attributable to ordinary shareholders of £31.9m (30 June 2018: £23.1m, 31 December 2018: £64.5m) and on the weighted average number of ordinary shares in issue during the period of 1,680,338,704 (30 June 2018: 1,538,090,540, 31 December 2018: 1,609,183,369).

The calculation of underlying earnings per share is based on the profit for the period attributable to ordinary shareholders, adjusted to add back non-underlying items, of £34.1m (30 June 2018: £30.1m, 31 December 2018: £75.7m and on the weighted average number of ordinary shares in issue during the period as above.

Diluted earnings per ordinary share is based on 1,683,917,318 shares (30 June 2018: 1,545,480,843, 31 December 2018: 1,614,708,756) and reflects the effect of all dilutive potential ordinary shares.

10 Related party transactions

The nature of related party transactions is consistent with those disclosed in the Group's Annual Report for the year ended 31 December 2018. All related party transactions are on an arm's length basis.

11 Stated capital

	Number of Ordinary Shares (m)		
	Six months ended 30 June 2019	Six months ended 30 June 2018	Year ended 31 December 2018
Issued ordinary shares at the beginning of period	**1,679.2**	1,446.6	1,446.6
Issued in connection with:			
Acquisition of Lagan	**-**	227.8	227.8
Exercise of savings-related share options	**1.8**	1.7	1.8
Vesting of Performance Share Plan awards	**1.6**	3.0	3.0
	1,682.6	1,679.1	1,679.2

During the period, the Company issued 1,758,371 ordinary shares of no par value raising £0.9m in connection with the exercise of certain savings-related share options. The Company also issued 1,602,024 ordinary shares of no par value raising £nil in connection with the vesting of awards under the Performance Share Plans.

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.

Glossary

The following definitions apply throughout both this announcement and the 2018 Annual Report, unless the context requires otherwise.

Adopted IFRS	International Financial Reporting Standards as adopted by the EU
AGM	Annual General Meeting
AIM	Alternative Investment Market of the London Stock Exchange
Alpha Resource Management	Alpha Resource Management Limited
BEAR Scotland	BEAR Scotland Limited
Blinkbonny quarry	Blinkbonny Quarry (Borders) Limited
Breedon	Breedon Group plc
Breedon Whitemountain	Breedon Whitemountain Ltd
CGU	Cash Generating Units
CI	Channel Islands
CIF	Construction Industry Federation
CITB	Construction Industry Training Board
CMDO	Cement Market Data Order 2016
CPA	Construction Products Association
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation and before our share of profit from associate and joint ventures
EPS	Earnings per share
EU ETS	European Union Emissions Trading System
EURIBOR	Euro Inter-bank Offered Rate
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GB	Great Britain
HMRC	Her Majesty's Revenue & Customs in the UK
Humberside	Humberside Aggregates Limited
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Invested Capital	Net assets plus net debt
Ireland	The Island of Ireland
ISO	International Organisation for Standardization
KPI	Key Performance Indicator

Lagan	Lagan Group (Holdings) Limited The construction materials and contracting services brand under which Breedon now trades in the Republic of Ireland
Leverage	Net debt expressed as a multiple of Underlying EBITDA
LIBOR	London Inter-bank Offered Rate
LTIFR	Lost Time Injury Frequency Rate
MPA	Mineral Products Association
MPQC	Mineral Products Qualifications Council
NI	Northern Ireland
NISRA	Northern Ireland Statistics Research Agency
OHSAS	Occupational Health and Safety Assessment Standard
Pro Mini Mix	Pro Mini Mix Concrete, Mortars and Screeds Limited
QCA	Quoted Companies Alliance
QPANI	Quarry Products Association Northern Ireland (from January 2019 Mineral Products Association of Northern Ireland)
the Revenue	Office of the Revenue Commissioners in Ireland
RoI	Republic of Ireland
ROIC	Post-tax Return on Invested Capital
Staffs Concrete	Staffs Concrete Limited
Sterling	Pounds sterling
UK	United Kingdom (GB & NI)
Underlying	Stated before acquisition-related expenses, redundancy and reorganisation costs, property items, amortisation of acquisition intangibles and related tax items
Whitemountain	Whitemountain Quarries Limited The construction materials and contracting services brand under which Breedon now trades in NI
WTO	World Trade Organisation