Annual Report and Accounts 2019

Ibstock Plc

At the heart of building

Contents

Highlights

Financial

Revenue[1] +5 %

£409m

2018: £391m +8 %
2017: £363m

Adjusted EBITDA[1,2,3] +9 %

£122m

2018: £112m +4 %
2017: £108m

Statutory reported profit -14 %

£66m

2018: £77m +5 %
2017: £74m

Statutory reported basic EPS[1] -13 %

16.3p

2018: 18.8p +18 %
2017: 16.0p

Adjusted EPS[1,2] -3 %

18.3p

2018: 18.8p -1 %
2017: 18.9p

Net debt[2] +77 %

£85m

2018: £48m -59 %
2017: £117m

Final dividend per share

6.5p

2018: 6.5p
2017: 6.5p

1 From continuing operations.
2 Alternative performance measures are described in Note 3 to the financial statements.
3 Adjusted EBITDA positively impacted in 2019 by the implementation of IFRS 16. See Note 27 to the financial statements.

1

3

Front cover images
(Left) Products: Funton Old Chelsea Yellow.
Location: Creek Road, Greenwich, London. Architect's Choice category winner at the Brick Awards 2018.
Photo credits: Fotohaus.
(Middle) Imogen Harding, Production Shift Manager, Eclipse Factory.
(Right) Products: Forticrete Hardrow Rooftiles in Barley and Forticrete Walling Stone in Cotswold Village.
Location: Winchcombe, Gloucestershire.

1 The I-Studio launch, June 2019.
2 Stella Afrifa, HR Business Partner pictured at Ibstock's Women in Business Event, April 2019.
3 (Left to right) Jeannie Pitt, Corporate Account Manager, Nick Pilkington and Christina Tiberian from Shelter with Ashley McCann, Communications Manager and Nicola Hale, Group HR Director at a special event where Shelter was selected as our charity partner, June 2019.
4 Mick Smith, Barnwell Factory Manager.

Ibstock plc is a market-leading manufacturer and partner of choice for innovative clay and concrete building products, building Britain for over 200 years.

Our Purpose
To build a better world, by being at the heart of building.

Our Vision
Enabling the construction of homes and spaces that inspire people to work and live better.

Our Strategy
We will achieve our purpose by delivering against our three strategic pillars:

- **Sustainable performance:** we will continually develop our organisational capabilities to drive world class sustainable performance across our operations.
- **Market led innovation:** we will build upon our unrivalled product range, delivering further innovation to support the changing needs of our customers and the built environment. We have developed commercial excellence initiatives and will optimise our supply chain to maximise value.
- **Selective growth:** with a strong balance sheet, we have the capacity to invest in both organic growth projects and, where we see a strategic fit and an opportunity to create value, businesses which strengthen and complement our existing operations.

Find out more
Our market page 10
Our business model page 14
Our strategy page 16
Key performance indicators page 24
Resources and relationships page 26
Principal risks page 34

We are no ordinary manufacturing business. Through our principal products within our Clay and Concrete divisions, we are committed to providing new solutions to today's social and environmental challenges for the new build housing and domestic repair, maintenance and improvement ("RMI") markets and infrastructure.

Many of our long-standing customer relationships have lasted over 40 years. Our customer focus is based on quality, service and consistency and our service-led ethos is one of the key drivers in the growth of our market position over the past 10 years.

Drawing on over 200 years of experience in building the face of Britain, Ibstock knows that customers need to get the best value out of their supply partners.

Ibstock comprises two divisions, both with leading market positions in the UK, which provide an excellent base for further growth and development.

41
manufacturing sites across the UK

2,350+
employees across the Group

400+
brick types

140m
tonnes of clay reserves

No.1
UK brick manufacturer by production capacity

Ibstock
At the heart of building

- **Ibstock Concrete**
  - Longley
  - Anderton
  - Forticrete
  - Supreme
- **Ibstock Clay**
  - Ibstock Kevington
  - Ibstock Brick

Ibstock is a leading manufacturer and supplier of clay and concrete building products primarily to customers in the UK residential construction sector.

Focused on products within the exterior building envelope, we have built leading market positions and strong relationships with our developer and builders' merchant customers.

Ibstock is at the heart of building.

Walling

- Facing bricks
- Special bricks
- Walling stone
- Special walling stone
- Architectural masonry
- Cast stone
- Facade systems
- Retaining walls
- Lintels, sills and arches

Roofing

- Roof tiles
- Chimneys
- Soffits
- Roofing accessories

Garden and landscaping

- Fencing
- Caps and copings
- Bollards
- Balustrades
- Path edging
- Urban landscaping

Flooring and groundwork

- Floor beams
- Door steps
- Gully surrounds
- Screed rails
- Insulated flooring
- Hollowcore

Rail and infrastructure

- Troughing
- Cable theft protection
- Boards, blocks and bases
- Catchpits
- Inspection chambers

Bespoke services

- Engraving and cutting
- Floor beam & block design, supply and fitting solutions
- Bespoke concrete products
- Staircases
- Lift shafts

> I am pleased to confirm that 2019 saw another year of financial and strategic progress for Ibstock.

Jonathan Nicholls
Chairman

We can look back on 2019 as a year of good strategic progress for the Group, where we advanced a range of initiatives to sustain and enhance our future performance, whilst simultaneously delivering a further year of revenue and adjusted EBITDA[1] growth.

Focused exclusively on the UK following the divestment of our US operations in late 2018, we continued to enjoy a largely supportive market and delivered a resilient performance. Brick demand for new build residential housing was robust in the first half but began to soften during the third quarter, reflecting heightened levels of political and economic uncertainty caused by the General Election and the Brexit process. The second half slow-down in housing starts inevitably had an impact on demand in the short term but market fundamentals over the medium term remain attractive.

Against this background, the team has been implementing the initiatives identified in the strategic review of our operations completed in March 2019. Together, these evolutionary steps to enhance our manufacturing capabilities, improve efficiency, build a more cohesive brand positioning and further strengthen customer service are designed to ensure the business can deliver sustained performance in the future. While some of these projects are in their early stages, we are starting to see some encouraging results.

Ibstock has a clear focus on the manufacture and supply of building products which fit within the "housing envelope", leading market positions in both its Clay and Concrete divisions, and a new, unified brand structure which makes the full breadth of our product portfolio much clearer to customers.

1 Alternative Performance Measures are set out in Note 3 of the financial statements.

The Group remained strongly cash generative and ended the year with a strong balance sheet and leverage towards the lower end of its guidance range. This financial strength leaves Ibstock well-placed to make value-adding investments in its business, either organically or through selective acquisition. The acquisition of Longley Concrete in July 2019 demonstrated our appetite to add businesses that meet our strict acquisition criteria.

As we do all of this, we have also made a step change with our environmental and sustainability agenda, developing a clear roadmap of our priorities out to 2025, details of which are included in the "Resources and relationships" section of this report on pages 26 to 33.

Board changes

Following more than 30 years with the Group, Kevin Sims retired as Chief Financial Officer in August 2019 and was succeeded by Chris McLeish. Chris joined us from Tate & Lyle PLC where he was Group Vice President Finance and Control.

Kevin played an important role in Ibstock's successful listing on the London Stock Exchange in October 2015 and in the Group's subsequent development. On behalf of the Board, I thank him for his efforts and significant achievements.

Elsewhere, we strengthened the management team at operating level during the year. Kate Tinsley joined Ibstock in May as Managing Director of our Clay division and was appointed to the Board with effect from 1 January 2020. Nick Giles joined the business as Company Secretary on 8 November 2019, succeeding Robert Douglas who retired at the end of 2019. The Board would like to thank Robert for his work supporting the Group through its Initial Public Offering (IPO) in 2015 and his contribution to the business over his four-year tenure.

Corporate Governance

I am pleased to report the Group is fully compliant with the UK Corporate Governance Code 2018. Details of the activities of our Board and its Committees during the year are set out on pages 50 to 86 of the Governance section.

Shareholder returns and dividends

The Group paid an interim dividend of 3.2 pence per Ordinary Share and also a supplementary dividend of 5.0 pence per Ordinary Share on 20 September 2019. The latter payment followed the first supplementary dividend in September 2018 and was made in line with the policy announced in March 2018. This gives scope for the Board to review the Company's adjusted free cash flow on an annual basis and, if appropriate, and whilst preserving the necessary flexibility to accommodate potential acquisition opportunities and maintaining a prudent balance sheet, to return excess capital to shareholders.

The Board proposes to pay a final dividend in respect of the year ended 31 December 2019 of 6.5 pence per Ordinary Share, making a total Ordinary distribution in relation to 2019 of 9.7 pence. Subject to shareholder approval, the final dividend will be paid on 8 June 2020 to shareholders on the register on 11 May 2020.

Employees

Our employees continue to be our greatest asset and, on behalf of the Board, I would like to thank them all for their enthusiasm, professionalism and commitment, all of which contributed to the Group's performance during 2019.

Find out more

You can find more about our business on our website at www.ibstockplc.co.uk

Find out more

Our market page 10
Our business model page 14
Our strategy page 16
Key performance indicators page 24
Resources and relationships page 26
Principal risks page 34

I am pleased to report on another year of development and good strategic progress, as we continued on our journey to put Ibstock 'At the heart of building' in the UK.

Joe Hudson
Chief Executive Officer

Find out more
You can find more about our business on our website at www.ibstockplc.co.uk

Introduction
I am pleased to report on another year of resilient performance and good strategic progress, as we continued on our journey to put Ibstock 'At the heart of building' in the UK. During the year we made improvements to sustain production in our Clay operations, strengthened our industry expertise with new executive talent, progressed our innovation and sustainability initiatives, and expanded the product range and geographical reach of our concrete business through acquisition.

The market for our products remained broadly stable during the first half of the year. However, we witnessed some softer market conditions in the second half, against a backdrop of ongoing political and economic uncertainty in the UK ahead of the General Election. Nevertheless, as we worked to grow and enhance our business, we also delivered a resilient trading performance and another year of revenue and adjusted EBITDA[1] growth.

In our Clay division, the new Eclipse soft mud brick factory performed well and contributed to sales volume throughout the year. We also saw improved production volumes from some of our other key brick manufacturing sites. With the completion of our capital enhancement projects in 2020, we will have a well-maintained network to serve customers as market conditions improve.

Demand for our concrete products was mixed, with strong performance in roofing and walling being tempered by softer demand in the Repair, Maintenance and Improvement ("RMI") and rail infrastructure markets.

Financial performance
Group revenue for the year to 31 December 2019 was up 5% to £409 million (2018: £391 million), with Group adjusted EBITDA up 9% to £122 million including a c.£7 million benefit from the adoption of IFRS 16 (2018: £112 million excluding IFRS 16), or 2% excluding that effect. Profit before tax declined to £82 million in 2019, from £93 million in the prior year, primarily as a result of exceptional profit on disposal of surplus property in 2018.

Our strong balance sheet and cash flow generation underpin our ability to invest for growth to create long-term value for our shareholders. In July, we announced the acquisition of Longley Concrete, a precast flooring specialist which is highly complementary to our existing Concrete business. As part of our capital enhancement projects announced in March 2019, we also invested incremental capital to enhance the reliability and output at several of our clay factories, with the remaining projects to complete this year. In addition, we paid a supplementary dividend of 5.0 pence per share, demonstrating our commitment to shareholder returns. Including the final ordinary dividend of 6.5 pence per share, and the 3.2 pence interim, this takes the total dividends for the year to 14.7 pence per share.

We have been able to deliver this investment and significant shareholder returns (totalling £60 million in the year) whilst maintaining our strong balance sheet and remaining towards the lower end of our leverage range at 0.7x net debt to adjusted EBITDA at year end (pre-IFRS 16).

Strategic initiatives
In March 2019, following a review of Group businesses, we outlined the three priorities which would be at the heart of our strategic plan for the years ahead: Sustain, Innovate and Grow. Action plans for each area were put in place with the objective of strengthening our core business, and ensuring that Ibstock is fit for the future and capable of delivering long-term, sustainable growth.

We made some encouraging early headway with the delivery of these initiatives during the year and I am pleased to update on our progress.

Sustain
The health and safety of everyone who works in our business is our greatest priority. 2019 saw us introduce our Health and Safety roadmap and revised long-term targets and initiatives across Ibstock, with common standards now in place to improve health and safety Group-wide, based on leading indicators of our performance as well as more ambitious forward-looking targets. Although our lost time accident rate increased slightly in 2019, we have seen increased cultural awareness around health and safety across the Group, with the number of safety concerns raised increasing year on year. Our minor accident rate has fallen significantly, helped by our early initiatives including mandatory PPE standards.

UK focused
Leading manufacturer of building products primarily for residential building envelope

Strategic initiatives
We have made good progress on our initiatives focused on operational and commercial excellence

At the heart of building

Strong balance sheet
Optionality to invest in organic and inorganic growth options

Sustainable performance
Our sustainability roadmap gives us clear goals for all areas of our business

Sustainability has become a crucially important issue for every business, and I am pleased that we have continued to play a leading role in our sector. During the year, we developed a detailed roadmap of environmental and social targets for the Group in the period up to 2025. We are committed to making a positive impact on society and the specific targets we have set ourselves for 2025 include growing the volume of sustainable products we sell by 10%, cutting CO_2 by a minimum of 15% per tonne of production and cutting waste to landfill to zero. In addition, we have entered into a national charity partnership with Shelter, with support from all of our sites to raise money and help tackle homelessness. We have also formed a partnership with Well North Enterprise to support long-term community investment and social housing initiatives in the North of England.

We are pleased that our progress in this area continues to be recognised externally and were proud to have been awarded, amongst others, an edie award and *Most Ethical / Sustainable Manufacturer of the Year* at the Made in the UK awards during the year.

The Group's businesses provide a solid platform for future growth, with strong brands, customer relationships and established routes to market. Our markets are constantly evolving and we recognise that we must continually develop and invest in new organisational structures and capabilities to sustain and drive world class performance across our business. In 2019 both our Clay and Concrete divisions have reorganised their commercial functions to optimise our ability to service our customers and make it even easier to do business with Ibstock.

The maintenance programme in our Clay business, announced in 2018, progressed as planned and we saw improved production volumes from key sites in the second half as plants came fully back on stream. These improved production volumes gave us the opportunity to re-build inventories in the second half of the year, from historically low levels. This will increase our operational flexibility and customer service as we move into 2020. Improved maintenance is part of a cultural change that is taking place across the Group as we embed best practices and drive continuous improvement to ensure reliability, output and product quality is sustained in future. We also announced last year a £25 million investment in capital enhancement projects across 2019 and 2020, where new equipment and automation will enhance our manufacturing capacity and result in a well-maintained network ready to serve our customers as markets conditions improve.

Following the appointment of the new executive team, we have identified a number of opportunities to substantially upgrade our operational capabilities. We will initiate a programme during 2020 to ensure we capture the full value of these opportunities.

Innovate

As a market leader, our product range is unrivalled in terms of breadth and depth. However, to retain our position, we understand that a commitment to continuous innovation is essential. The construction industry continues to evolve, as our customers look to drive efficiency in their build processes, and digitisation revolutionises traditional ways of working. We are focusing on the optimisation of our supply chain, strengthening our commercial functions and the development of innovative new products.

We identified an opportunity for the Group to build a more cohesive brand positioning, completing a rebranding exercise across the Group during 2019, introducing a unified and more contemporary identity which better communicates the breadth of our product range and capabilities. As part of this initiative, we also opened the Ibstock I-studio, our new London design centre in Clerkenwell, to help us build stronger relationships with architects and specifiers and drive more value from our portfolio of high-quality building products.

Other new initiatives included the I-Range, a selection of brick solutions for architects and specifiers, which combines a unique product with expert advice and support from our qualified and experienced design and technical teams, an online product selector linked to our next-day sample service, and the introduction of Showpad – the market-leading sales tool – for our entire sales team. We are already beginning to see the initial benefits from these initiatives through the generation and conversion of new leads.

Grow

With a strong balance sheet, the Group has capacity to invest in both organic growth projects and, where it sees a strategic fit and an opportunity to create value, in businesses which strengthen and complement our existing operations.

Within our Clay division, which is operating in a market in which demand for bricks exceeds that available from domestic manufacturing capacity, we have a number of opportunities to enhance capacity in both our wire-cut and soft mud operations. To this end, we will initiate construction in 2020 of a new, state-of-the-art 80 million per annum brick factory, at an existing site, which will have an industry-leading manufacturing cost and sustainability profile. This investment will expand further our capacity against a backdrop of a significant UK housing deficit and robust demand from the new build housing sector over the medium term. This factory will cost around £45 million, and is expected to be commissioned during 2022.

In July 2019, we announced the bolt-on acquisition of Longley Concrete, a family-owned business, specialising in supplying precast concrete flooring direct to major housebuilders and contractors. The business, which can trace its roots back to 1947, has three manufacturing plants in the UK and is a highly complementary fit with our existing concrete operations, creating a leading national flooring business. Longley joins Forticrete, Supreme and Anderton within Ibstock Concrete and the division is now focused on four core product areas – roofing and walling, flooring, infrastructure and other building and fencing products. We are also progressing our plans to redevelop an existing manufacturing site to expand capacity and improve our lower production cost profile to ensure we deliver strong returns from our investment in Longley Concrete.

We will continue to explore opportunities for value-enhancing acquisitions that would expand our product portfolio and enable us to build or strengthen a market-leadership position. Target businesses will serve the UK construction market with products that primarily fit within the residential building envelope and demonstrate clear synergies through the leverage of our existing routes to market. With this clear focus, we believe we can create value and continue to deliver industry-leading margins and returns.

People

The Group continued to strengthen the executive team across the business during the year, making a number of new appointments. Chris McLeish joined as CFO in August 2019 and we further strengthened the management team at operating level, with the appointment of Kate Tinsley as Managing Director of our Clay Division during the first half. Kate subsequently joined the Group Board at the beginning of 2020. We also welcomed Annette Forster as Group Marketing Director and Nicola Hale as Human Resources Director earlier in 2019 and Nick Giles joined the business as Company Secretary in November 2019.

These new appointments have brought fresh challenge and insight to Ibstock, creating a strong and diverse executive leadership team with the capability to drive growth and transformation across the business. I am pleased with the impact they are already making on the business.

Outlook

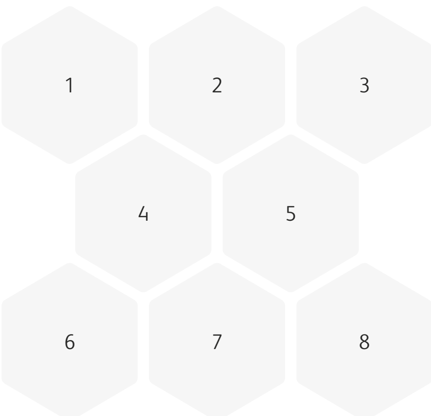
Fundamentals in the UK remain robust, with a structural housing deficit, low interest rates, high employment and the benefit of the Government's Help-to-Buy scheme all underpinning the market.

However, the political uncertainty, which caused subdued market conditions in the second half of 2019 has meant a slower start to 2020. We anticipate that activity levels will improve as the year progresses and, as a result, expect to deliver a stable outcome for the year.

1 Alternative Performance Measures are set out in Note 3 of the financial statements.

Find out more

Our market page 10
Our business model page 14
Our strategy page 16
Key performance indicators page 24
Resources and relationships page 26
Principal risks page 34



Executive Leadership Team

1. Joe Hudson,
Chief Executive Officer

2. Chris McLeish,
Chief Financial Officer

3. Kate Tinsley,
Managing Director Clay Division

4. Mark Houghton,
Managing Director Concrete Division

5. Annette Forster,
Group Marketing Director

6. Mark Richmond,
Group Development Director

7. Nicola Hale,
Group Human Resources Director

8. Nick Giles,
Group Company Secretary

Mapping the trends that keep us at the heart of building

Our clear roadmap will ensure we operate more sustainably in the coming years

page 18

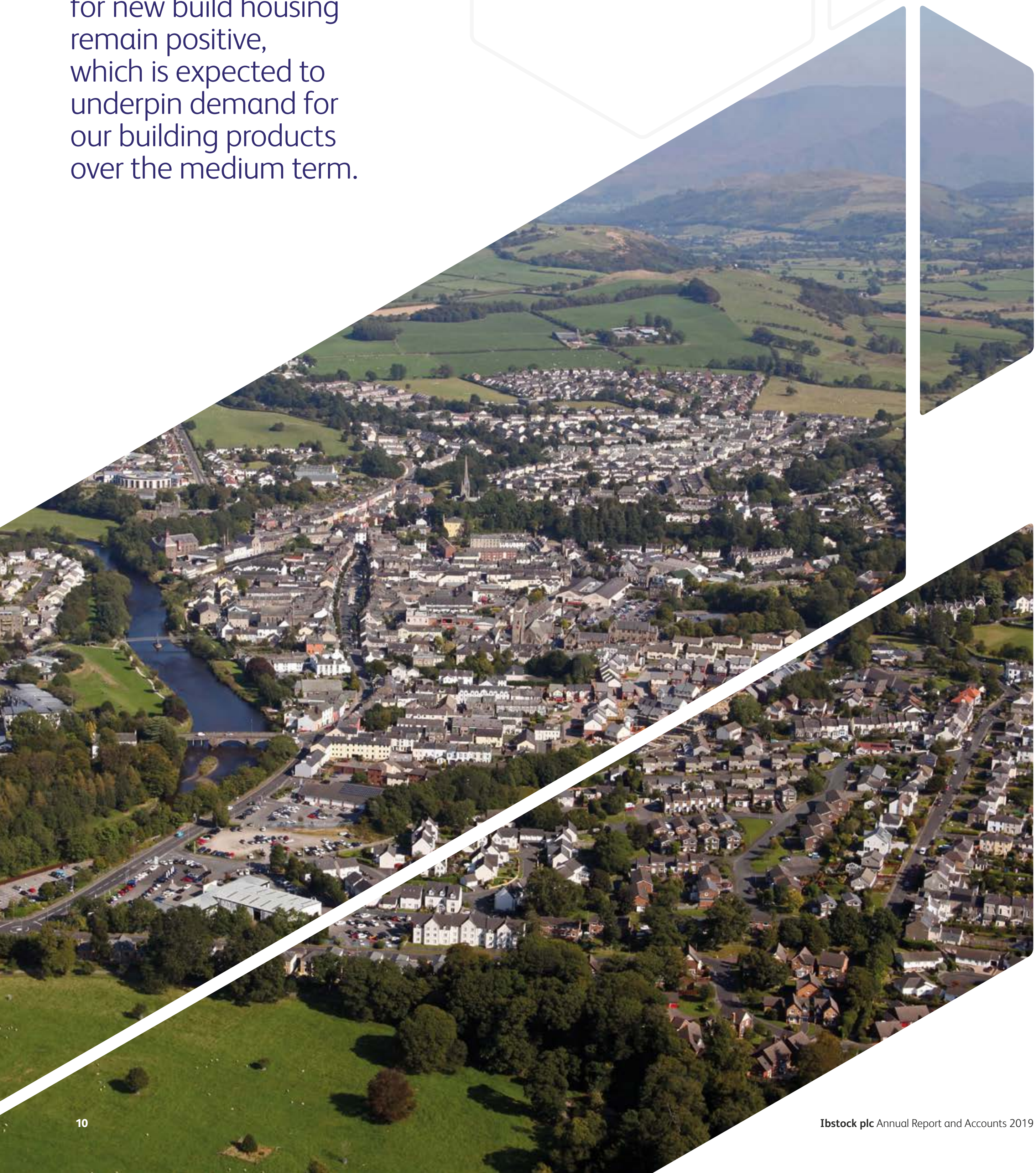
Our planned growth investments will help us support the Government deliver on its house building commitments

page 22

We focus on innovation to support our customers to deliver high-quality homes and spaces

page 20

The fundamental drivers of the market for new build housing remain positive, which is expected to underpin demand for our building products over the medium term.



Macro trends

Population growth
over next 10 years

+3m people

Household formations
per annum

c.200k

Political support for house building
per annum

+300k

Help-to-Buy
extended to

2023

Low unemployment

<4%

Low interest rates
base rate

0.75%

The fundamental drivers of the market for new build housing remain positive, which we expect to underpin demand for our building products over the medium term.

The UK housing market has been structurally undersupplied for some time, with housing starts falling below household formations for a number of years. With an estimated 80% of new homes using clay bricks within their construction, increases in new housing volumes directly impact the demand for our brick products. The UK Government has estimated the shortage of housing in the UK to be in excess of one million homes and numerous reports, including the Government's 2017 white paper, have reiterated the need for an increase in new home building in order to keep pace with population growth and to tackle the housing deficit.

Population growth, due to longer life expectancy and net immigration, has resulted in the rate of household formation in the UK continuing to grow at c.200k new households per annum, with the total predicted to increase from 22.7 million in 2014 to 28.0 million by 2039. These increases are creating a structural demand for new housing.

The current Government has committed to building one million homes over the next five years, at least maintaining the current build rate of c.200k homes per annum and a target that will support investment and innovation by the construction industry to enable it to deliver this output. There remains cross-party political support for the Help-to-Buy scheme, which supports first-time buyers and younger people onto the housing ladder. Additionally, with unemployment and interest rates remaining at historic lows, new build housing remains an accessible option for buyers.

In the short term we saw lower levels of activity in the house building and RMI markets in the second half of the year, related to uncertainty caused by the General Election and the ongoing Brexit process. As noted on page 36, the Directors believe that the Group has limited exposure as a result of Brexit but recognise the potential impacts and has sought to mitigate associated risks.

What this means for Ibstock

Overall, these trends should ensure that demand for both our clay and concrete building products in our core market of UK residential construction and new build housing should remain robust over the medium term.

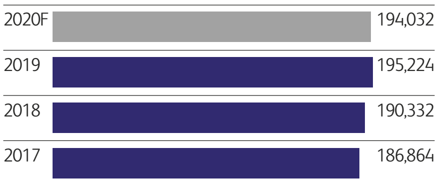
We will continue to invest in innovative new building products and solutions that seek to reduce build times, and to support our customers and the Government in meeting their targets for the sustainable delivery of more high-quality new homes and communities across the UK. We will also continue to invest in organic opportunities to expand production capacity, both through the development of new manufacturing sites and in projects that increase volumes from existing assets, and will continue to explore opportunities to acquire businesses which strengthen and complement our existing operations.

UK housing market and construction

Our clay and concrete products are integral components for both new build housing construction and in the repair, maintenance and improvement ("RMI") market. Demand for our products is directly affected by developments in the construction markets in which we operate, as well as the general level of construction activity.

Housing starts
000s

Housing completions
000s



Private residential RMI output
000s

Source: Construction Products Association (CPA)
F: Forecast

Link to strategy
2, 3

Link to KPIs
1, 2, 3, 4, 5, 6

Link to risk
1, 2

UK new build market

Housing completions were relatively stable in 2019, at just over 190,000, as developers pushed to complete work in progress ahead of Brexit and the General Election. There was also modest house price inflation according to the ONS. However, housing starts were lower year on year, with a slow-down in new site registrations and plot starts in the second half.

National House Building Council ("NHBC") data indicates that activity amongst the larger housebuilders remained relatively robust, with medium-sized developers taking a more cautious approach to volume growth. Geographically, London and the South East saw more subdued levels of activity during 2019, with the North East and Midlands seeing more solid growth.

CPA forecasts are for a slight reduction in housing starts in 2020, with a recovery in 2021.

Market, trends and developments

The private residential RMI market is the third largest construction sector, with output in 2019 worth approximately £20 billion. Activity in the RMI sector is closely correlated with the level of property transactions, as individual homeowners often renovate their properties prior to a sale or modify them after purchase (with a lag of six to nine months).

Whilst the limited supply of existing properties for sale may dampen the volume of transactions, it provides further impetus for extensions or other home improvements, as homeowners decide to improve their existing properties rather than moving. Furthermore, the age of the UK housing stock, with over 50% of homes over half a century old, creates an ongoing need for repairs and improvements.

According to CPA data, RMI spend is forecast to remain broadly flat in 2020, before increasing by 2.0% in 2021.

The competitive environment

In the UK, the three largest brick manufacturers account for the vast majority of UK brick production.

Ibstock has the largest clay brick production capability in the UK and continues to enjoy a market-leading position; in a structurally undersupplied brick market with 450 million imports coming into the UK in 2019, we believe there is a need for continued investment in new capacity. Having completed Eclipse, our 100 million brick capacity soft mud brick factory in Leicestershire, in 2018, we will continue to invest in organic opportunities to expand production capacity and modernise our assets in our Clay operations.

By contrast, the UK concrete market is highly fragmented, with a number of smaller players. Ibstock Concrete enjoys market-leading positions in a number of the products categories within which it operates.

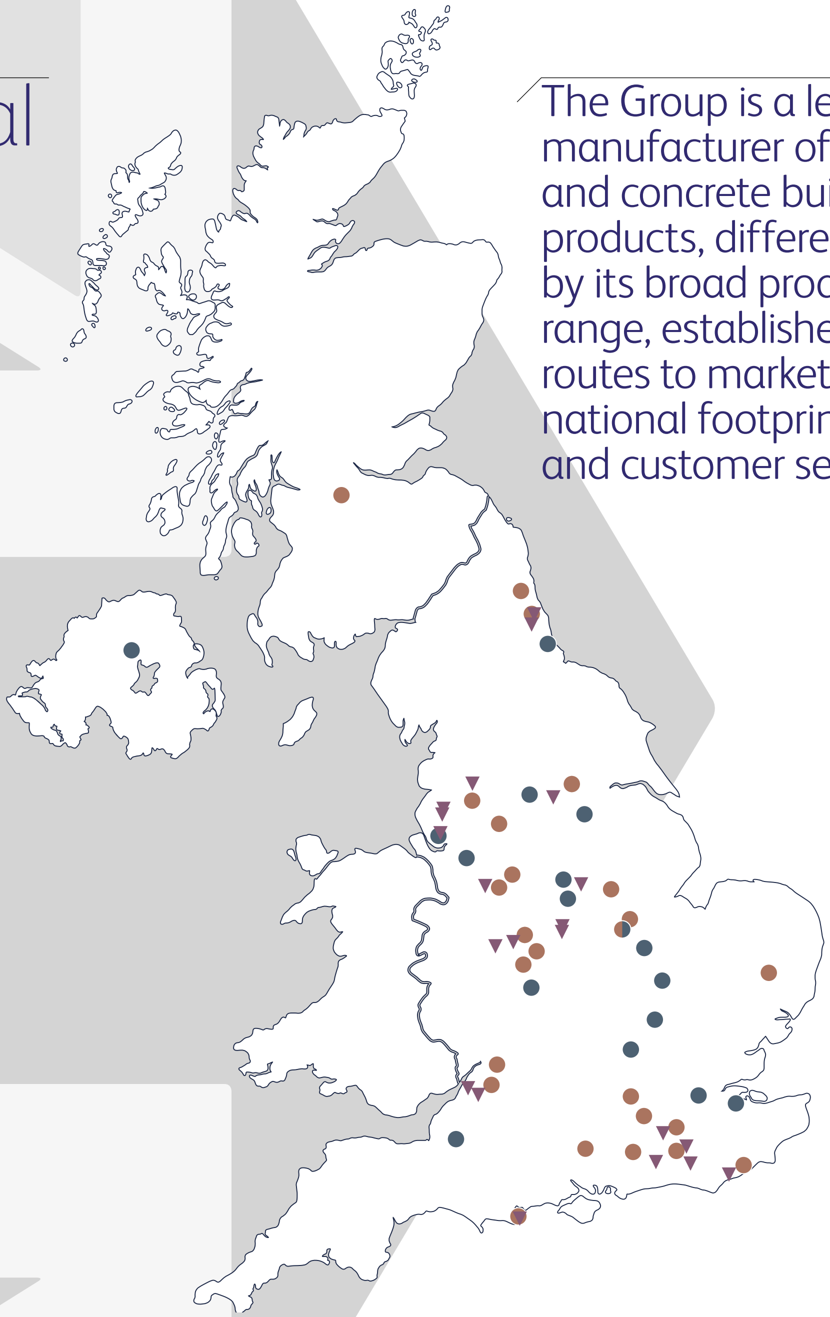
1

2

1 Khiloni Dulabdas, Digital and Corporate Marketing Manager, presenting our interactive Product Selector at The I-Studio launch event, June 2019.
2 Arley Homes, Atherton displaying Ibstock Birtley Beamish Blend bricks.

Our national footprint helps us keep closer to our customers

The Group is a leading manufacturer of clay and concrete building products, differentiated by its broad product range, established routes to market, national footprint and customer service.



Map key
- Clay factories.
- Concrete factories.
- Quarries.

Find out more
Our Market page 10
Our Strategy page 16
Resources and relationships page 26
Principal risks page 34

Housebuilders

Builders' Merchants

Architects/Specifiers

We create value for all our stakeholders…
Ibstock is the UK's leading manufacturer of clay bricks, with a diversified range of clay and concrete products, supplied from our manufacturing sites nationwide. The breadth of our range of products and services, commitment to customer service excellence and continuous innovation, coupled with our national footprint, are at the heart of our strongly differentiated customer proposition.

…through our diverse product range and focus on customer service…
We have a diverse product range of over 400 different brick products and a good balance of both soft mud and wire-cut brick types, combined with a broad range of concrete products and innovative building product solutions such as cladding options and components.

We principally sell our products and services directly to housing developers or through intermediaries including builders' merchants and brick factors. Our customer proposition is based on quality, service and consistency, and our service-led ethos is one of the key drivers underpinning our leading market share position in bricks and other key products. We have many long-standing customer relationships, a great number of which have endured for over 40 years. We seek to differentiate ourselves as a manufacturer by employing architects and design assistants to provide technical support to product specifiers and customers at the design stage, and to promote efficient use of our products within developments.

We continually strive to improve the quality of our products and service, as well as introducing new products through innovation and investment in new technology. Our new design centre, the I-Studio, in Central London and our product selector app are recent examples of this evolution and commitment to improving the customer experience. Our product development programme works in close partnership with customers and our sales team to identify opportunities for new products, see page 30.

…and our national manufacturing footprint…
Ibstock has the largest brick production capacity in the UK and a nationwide operational footprint. We have 41 manufacturing locations across the UK – strategically located close to raw materials and transportation links to facilitate onward distribution.

To support our brick business we have the largest clay reserves in the UK. Our approximately 80 million tonnes of consented clay reserves and in excess of 140 million tonnes of clay resources provide strong support for our production capacity of over 800 million bricks per annum. Our quarries are in close proximity to our brick manufacturing plants, providing security of supply of the key raw material used in brick manufacture.

We also have the most modern and innovative concrete roof tile line in the UK and our pre-stressed concrete manufacturing facilities support our strong market position.

…delivering for shareholders and putting us 'At the heart of building' in the UK
These differentiating factors create high barriers to entry and are key drivers of the industry-leading margins and returns which underpin our ability to invest in both our people and our asset base to deliver future growth. They also underpin our commitment to shareholder returns, and a dividend policy comprising ordinary dividends as set out on page 46, which rewards our shareholders for their continued support and investment in the future of the Group.

The Group employs a large number of people across its operations – described in more detail in the "Resources and relationships" section on pages 26 to 33 – and the development and progression of our employees is critical to the Group's long-term success. Alongside our focus on providing a safe and healthy working environment, ongoing training and development opportunities, and career progression, we also encourage employee share ownership through Share Incentive and Save As You Earn programmes to ensure that value flows through to our employee stakeholders.

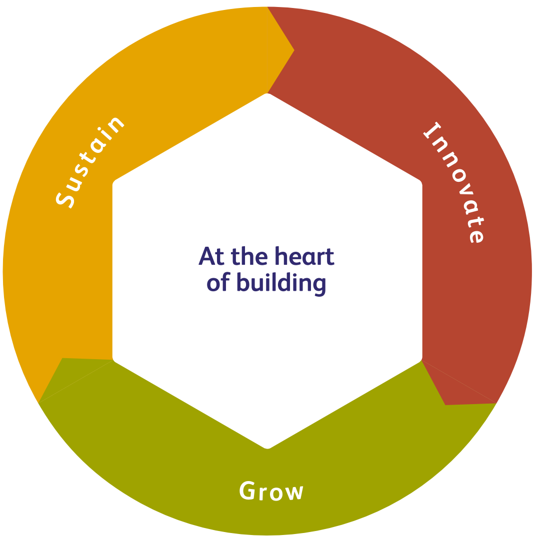
In addition to being an important employer in the many areas where our manufacturing facilities are located, we interact directly with the communities in which we operate. Our "Resources and relationships" section, together with our Sustainability Report on our website (www.ibstockplc.co.uk), set out how the Group aims to be a good neighbour and contribute to those communities, working directly with local schools and charities to provide opportunities and support community engagement.

We also aim to forge long-term relationships with our key suppliers, and conduct business in a fair, open and transparent way. Our Group procurement team have designed policies and procedures with which our suppliers and teams are required to comply. These are all aimed at ensuring we work safely, equitably and in the best interests of both parties, as well as the Group's other stakeholders. These policies and procedures are covered in more detail on page 27.

Through this combination of investing in our employees, our operations, our customer service and our products – coupled with our commitment to shareholder returns, and to being a good neighbour to our communities and good partner to our suppliers – we aim to put ourselves 'At the heart of building' in the UK.

Our strategy is to optimise our core business, to deliver sustainable performance and provide a strong platform for future growth and value creation.

Strategic priorities
Our three strategic priorities drive performance and create value for all our stakeholders.



Our strategic priorities are supported by:
Governance that is aligned to performance and our culture that is overseen by the Board.

Non-financial Key Performance Indicators (KPIs[1])
Lost Time Injury Frequency Rate (LTIFR), Net Promoter Score (NPS).

Strategic priority 1:

Sustain

Sustainable performance

Description

We have built market-leading positions in both our brick and concrete businesses over many years, with strong brands and a diverse portfolio of products. Maintaining this leadership position requires a commitment to ongoing investment and optimisation.

We are continually developing our organisational structure and capabilities to ensure we drive world class sustainable performance in our operations, focusing in particular on manufacturing, health and safety, and the sustainability of our business.

Relevant KPIs

– Revenue
– Adjusted EBITDA
– ROCE
– Adjusted EPS
– LTIFR
– NPS

1 See KPIs on page 24.

Strategic priority 2:

Innovate

Market led innovation

Description

The construction industry continues to evolve, as our customers look to control construction costs and drive efficiency in the build process. To succeed Ibstock must help its customers meet these objectives.

Our product range is unrivalled in terms of breadth and depth but, as the market leader, we are committed to remaining at the forefront of innovation as the market evolves. We have a clear focus on strengthening our commercial functions, delivering an outstanding customer service experience, and developing innovative new products and solutions.

Relevant KPIs

– Revenue
– Adjusted EBITDA
– NPS

Strategic priority 3:

Grow

Selective growth

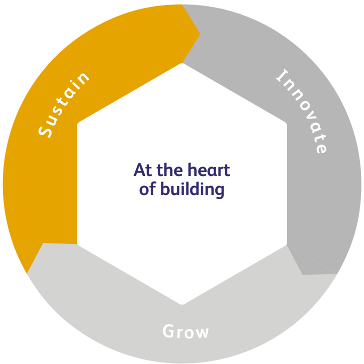
Description

The Group has a strong record of growth delivery. Our core business provides a solid platform for future growth, with strong brands, customer relationships and established routes to market. We will expand this platform to deliver long-term growth and value creation.

With a strong balance sheet, we have the capacity to invest in both organic growth projects and, where we see a strategic fit and an opportunity to create value, businesses which strengthen and complement our existing operations.

Relevant KPIs

– Revenue
– Adjusted EBITDA
– Net debt to EBITDA
– ROCE
– Adjusted EPS



Strategic priority 1:
Sustainable performance

Operational excellence
Our enhanced maintenance project has progressed as planned but this remains an area of focus for the Group as we look to embed a culture of continuous improvement in our manufacturing operations.

Sustainability Roadmap
Our Sustainability Roadmap is core to our business operations and values. It communicates clear targets and ambitions for our business. We have identified 10 targets under our four priority areas – Customers and Suppliers, People, Environment and Communities. Further information is contained within the Resources and relationships section on pages 26 to 33 as well as the separate Sustainability Report which can be found on our website.

Charity partnership
We have recently joined forces with Shelter, the national housing and homeless charity, as part of a new charity partnership. Over the next two years, the Group will raise vital funds for Shelter via a series of fundraising initiatives, supported by 50 "charity champions" across all our operating sites.

Well North Enterprises partnership
We are working in partnership with Well North Enterprises to explore innovative possibilities in place-making, working to make these a reality so that Ibstock's people and its communities grow and thrive together.

Well North Enterprises inspires transformative, sustainable change in local communities by building relationships, promoting aspiration and supporting local entrepreneurs. The team works alongside clients and commercial partners like Ibstock to help improve community well-being through regeneration, entrepreneurship, education, employment and culture.

Sustainability awards
Our work to strengthen our sustainability offering has been recognised at the highest level, with Ibstock being the proud recipient of three awards in the past year. The Energy Efficiency award at the edie Sustainability Leaders Awards; Most Sustainable Manufacturer of the Year at the Made in the Midlands Awards: and, in recognition of our People First sustainability strategy, the national award in the same category at the Made in the UK Awards.

insider MADE IN THE UK

edie SUSTAINABILITY LEADERS Awards 2019

1

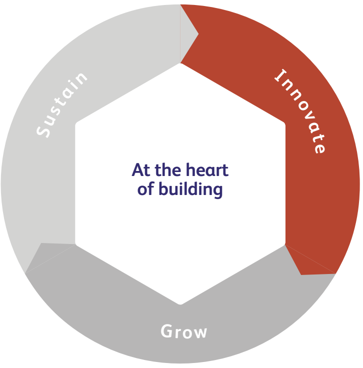
2

1 Annette Forster, Group Marketing Director and Martin Jones, Site Facilities and Logistics Manager pictured at the official Shelter partnership launch event, September 2019.
2 As part of the Government's 2018 UK Green Week initiative, we pledged to install solar panels at our Leicester HQ.
3 Michael McGowan, Group Sustainability Manager, proudly accepting Ibstock's Sustainability Award in recognition of our people first sustainability strategy at the Made in the UK Awards, June 2019.
4 Professor Brian Cox inspires the next generation at the Science Summer School 2019, an event sponsored by Ibstock and AXA XL, July 2019.

More online
You can find more about our business on our website at www.ibstockplc.co.uk

3

4



Strategic priority 2:

Market led innovation

Brand refresh and I-Studio launch

The more cohesive and contemporary Group-wide branding we now have in place conveys the breadth and range of our product offering and puts Ibstock firmly 'At the heart of building' in the UK. This refreshed identity is complemented by our new I-Studio, situated in Clerkenwell in the heart of London's architectural district. The studio represents an exciting step forward in our offering to the UK specification market. Designed as an interactive space to facilitate greater collaboration across the specification process, construction professionals can visit the studio and meet Ibstock's team of in-house design advisors. The full Ibstock product offering can be viewed at the I-Studio, from walling solutions and concrete flooring solutions to fencing, landscaping and building products.

Product Selector and Showpad

Choosing the right brick for a project is absolutely key for our customers. To assist them in this crucial task, Ibstock has launched a cutting-edge online Product Selector. The online product image, which is linked to our next-day sample service, updates as the user modifies each variable, making the process more visually coherent, enabling the customer to see a customised version of each brick.

Ibstock has introduced Showpad – the market-leading sales enablement tool – for its entire sales team, as an innovative way to drive sales performance and offer best-in-class customer service. Showpad empowers the sales team to deliver an optimal customer experience, giving access to all the latest product and service information, marketing collateral, case studies and testimonials that can be shared with customers, whatever the setting. Combining the skills of Ibstock's sales team with the interactive experience of Showpad allows us to engage with customers more effectively, while ensuring service excellence.

Growth Engine and Innovation – MechSlip

Ibstock's Growth Engine (see page 30) is a brand new and fully-inclusive product development and innovation process that we are implementing across our business, enabling us to combine our most innovative product ideas with the current and future needs of the market and our customers. Every idea that goes into the Growth Engine funnel is scored within an Opportunity Matrix against strict business criteria, such as the market opportunity, the investment required and risk.

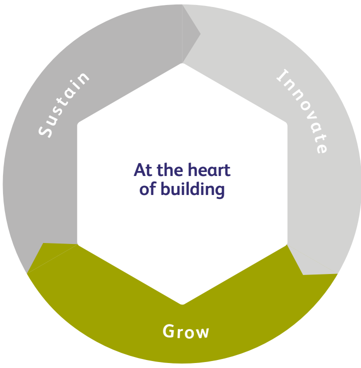
MechSlip is a great example of the innovation being driven by the Growth Engine – combining innovative design with a clear focus on meeting the evolving needs of the customer. The MechSlip system allows architects and specifiers to use real brick slips (brick facades or tiles) within a versatile and efficient mechanically fixed cladding system. The variety of different brick slip sizes and the choice of colours and textures available within the MechSlip system enables the creation of distinctive facades which can fit seamlessly into a traditional surrounding. The system works with slip-cutting technology, allowing the vast majority of Ibstock's soft mud and wire-cut bricks to be mechanically fixed into horizontal rails at flexible heights, making the entire design and installation process simple, from concept to completion. This allows architects and specifiers to use brick to maintain the integrity of their design, whilst the efficiency and versatility of the mechanical fixed system opens up a whole raft of options for integration with modern methods of construction.

More online

You can find more about our business on our website at www.ibstockplc.co.uk

1 Driving new solutions: customers can view their finished project through virtual reality goggles at the I-Studio, London.
2 The I-Studio, London.
3 Mechslip wall, featured at the I-Studio, London.


Cladding & Walling
Bespoke Products & Service
Garden & Landscaping
Flooring & Groundwork
Roofing
Rail & Infrastructure
stock
heart of building



Strategic priority 3:

Selective growth

Organic growth

Organic growth projects are at the heart of our growth strategy and capital allocation framework. The high-return profile of these projects is attractive and core to maintaining our industry-leading margins and returns over the medium term.

In 2018, we completed commissioning on our Eclipse factory in Leicestershire. With a capacity for 100 million soft mud bricks per annum, the additional volumes from Eclipse came on stream at a key time for the industry and our customers and made a significant contribution to our profit growth in FY19. Additionally, the completion of our new roof tile manufacturing line supported double digit revenue growth in our roofing business in FY19 and has allowed us to take further market share.

We have multiple organic growth opportunities across both our Clay and Concrete divisions, through projects which will demonstrate visible strong returns. Within Clay, in a market in which demand for bricks continues to exceed existing domestic manufacturing capacity, there are opportunities to enhance existing capacity in both our wire-cut and soft mud operations. We are making good progress with our programme of enhancement projects, with £25 million of capital expenditure over the 2019 and 2020 financial years. We also have options to invest and further expand our production capacity across both our Clay and Concrete divisions. In Clay, we will commence work on a wire-cut redevelopment project in 2020 and continue to assess plans for a new soft mud expansion project in the South East. Within Concrete, we will commence work on the project to redevelop one of our key floor beam production facilities, to deliver further capacity for growth and improve our production cost profile.

Acquisitions

Our Concrete business has historically been built by acquisition and delivers industry leading margins and returns. Longley Concrete, acquired during 2019, demonstrates the potential of bolt-on acquisitions to complement and strengthen our existing product offering and operations, to build a national leading position in a core market.

We continue to evaluate opportunities for value enhancing acquisitions. Target businesses will primarily service the UK construction market with products that fit within the residential building envelope and demonstrate clear synergies through the leverage of our existing routes to market.

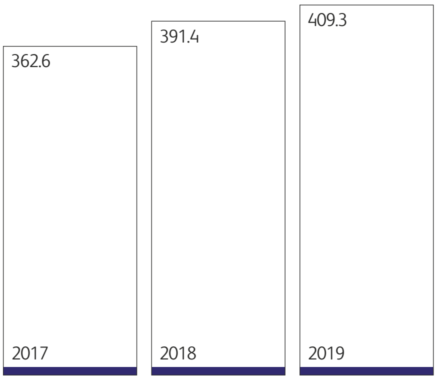
More online
You can find more about our business on our website at www.ibstockplc.co.uk

1 Longley Concrete Floor Beams.
2 Eclipse Factory, Leicester.
3 Organic Growth Projects.

2

Revenue[1]
£m

£409m



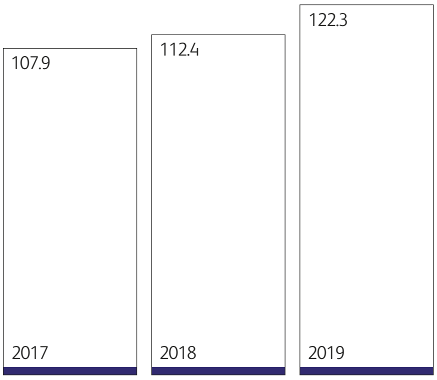
Revenue represents the value for the sale of our building products, exclusive of local sales tax and trade discounts.

Strategy link 1 2 3

Change

Adjusted EBITDA[1,2,3]
£m

£122m



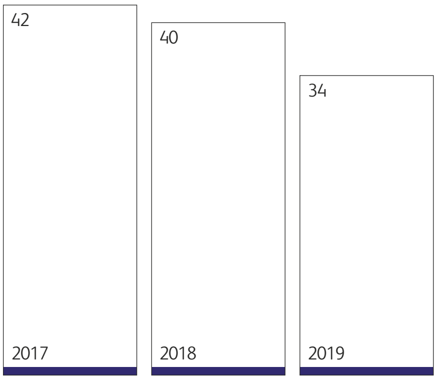
Represents profit before interest, taxation, depreciation and amortisation after adjusting for exceptional items.

Strategy link 1 2 3

Remuneration link and change £

Net promoter score[1]
%

34%



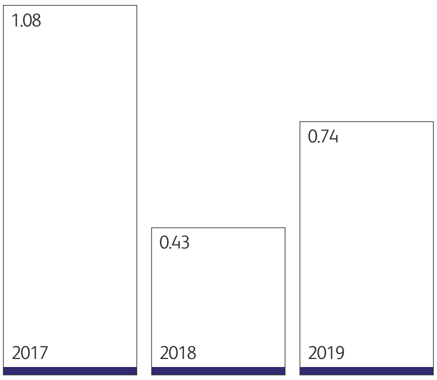
As part of our annual satisfaction survey, customers are asked how likely they are to recommend the Group to friends and colleagues. Responses are between zero (unlikely) to 10 (very likely). The Net Promoter Score ("NPS") is derived from the proportion of our customers scoring 9 or 10 less those scoring 6 or lower.

Strategy link 1 2

Change

Net debt to adjusted EBITDA[1,2]
Ratio

0.74x



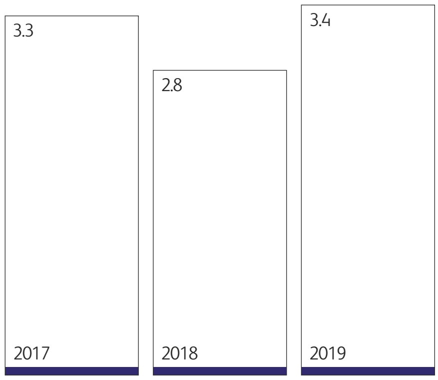
Net debt, comprising short- and long-term borrowings less cash, over adjusted EBITDA (as defined above) prior to the impact of IFRS 16 (see Note 27). A reduction in the ratio represents a positive performance.

Strategy link 3

Change

Lost Time Injury Frequency Rate[1]

3.4



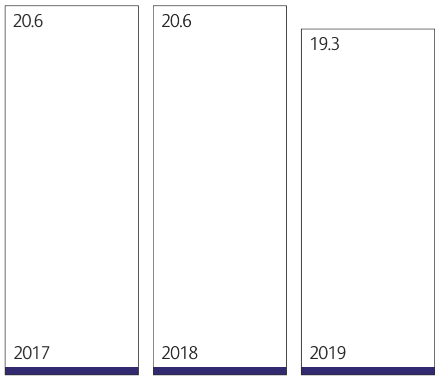
The number of lost time injuries occurring in our workplace per one million hours worked.

Strategy link	1
Change	

ROCE[1,2,3]

%

19.3%



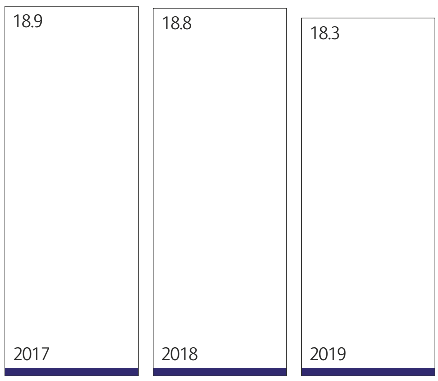
The ratio of profit before interest and taxation, after adjusting for exceptional items, to average net assets and debt (excluding pension).

Strategy link	3
Remuneration link and change	£

Adjusted EPS[1,2]

Pence per share

18.3p



Basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair valued uplifted assets and non-cash interest, net of tax (at the Group's effective tax rate).

Strategy link	1 3
Remuneration link and change	£

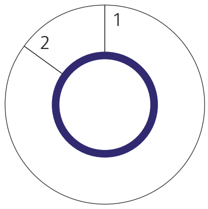
1 Continuing operations.
2 Alternative Performance Measure – see Note 3 of the financial statements.
3 KPI impacted in the current year by the implementation of IFRS 16 (see Financial Review for details).

Strategy key
1 Sustainable performance.
2 Market led innovation.
3 Selective growth.

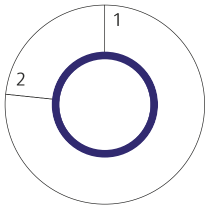
Our people are at the heart of our operations.

Gender split across the Group

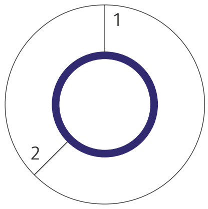
All employees[1]
1 Male: 1,958
2 Female: 344



Senior Managers[2]
1 Male: 30
2 Female: 9



Directors[2]
1 Male: 5
2 Female: 3



1 Number as at 31 December 2019.
2 Number as at the date of this report (2 March 2020).

Sarah Martin, HR Business Lead, pictured at the Senior Leadership Team meeting, February 2020.

Management of the Group's key resources and relationships considered necessary to successfully deliver Ibstock's business model and strategy (see pages 14 to 23) can be found in this section. The extraction through to remediation of our quarries, the manufacture and sale of the end products and satisfaction of the ambitions of our shareholders all contribute to the success of our business. At the centre of this are the highly engaged people who constitute our workforce, who contribute to the performance of the Company with appropriate support from the Group's IT systems, capital investment and intellectual property. Continued collaboration requires engagement and understanding of each of these stakeholders' interests.

How we create value for our stakeholders

Ibstock manufactures bricks, and a diversified range of clay and concrete products with the largest brick production capacity in the UK. With 41 manufacturing locations strategically located close to raw materials and transportation links, we have ready access to approximately 80 million tonnes of consented clay reserves and in excess of 140 million tonnes of clay resources.

The delivery of sustainable business performance across the Group is a strategic priority for Ibstock. Whilst our current product portfolio offers impressive longevity and durability characteristics when compared with alternative building materials, we believe we can take things even further. As such, our Sustainability Roadmap 2025, published in our Sustainability Report available from our website at www.ibstockplc.co.uk, will drive much of our effort and innovation over the next five years. This communicates clear targets and ambitions for our business – each of which falls under one of our core objective areas: Customers and Suppliers, People, Environment and Communities.

Our Sustainability Roadmap will deliver through collaborative working with our customers, suppliers, sector partners and peers. In the coming years we will work together to innovate for greater sustainability throughout our value chain. Our expectation is that this will have a positive impact on those working and living in the communities built with Ibstock products.

Culture

During the year, we continued to integrate our operations across two divisions; Ibstock Clay and Ibstock Concrete, updated our Group branding and formalised our purpose, vision and culture. Our purpose can be found on page 2 and sets out the what Ibstock represents as an organisation and what it is trying to achieve through its strategy.

The development of a shared set of values and behaviours through a participative process led by employees at different levels of the business has contributed to a sense of co-operation and motivation for the future. These encapsulate what it means to work for Ibstock as the Company moves into the next phase of its development.

In addition, the launch of a new brand identity to drive customer focus was a significant part of efforts made to move Ibstock towards a high performance and sustainable culture. The new branding draws upon our past strengths and recognises that we are a successful business with a great heritage, but also reflective of the modern look and feel of our business, as we continue our journey to becoming a more market- and customer-led organisation.

To complement this, our new strapline – 'At the heart of building' – sums up what the Ibstock business is all about. Whether we are building relationships with our customers or at the centre of design conversations to transform building, we want to demonstrate that we're an easy company to do business with and that our customers and people are at the heart of everything we do.

Responsible business

As the laws governing business dealings become ever more complex we need to ensure the judgements and decisions we make are taken with both the knowledge and application of the highest ethical principles. Our Code of Business Conduct and Anti-bribery and Corruption policies ensure that we operate in an open, fair and honest manner in all of our business dealings. Our Trade Associations Policy helps to support employees in their dealings with fellow employees, customers, suppliers, regulators and colleagues in competing businesses.

We believe that these sound, ethical principles will help us to act at all times with honesty and integrity, constantly striving to operate in the best interests of our business. This will help ensure that Ibstock continues to maintain and enhance its excellent reputation as a Group that people can trust and want to do business with.

Ibstock's web-based compliance training has been completed by 100% of appropriate employees and cover a wide range of the Group's policies and codes of practice, including anti-bribery, conflicts of interest, business ethics and diversity. Whilst all new employees are required to undertake the training, 2019 saw us undertake a full refresh of the training across the Group.

Our tax strategy is published on the Group's website. This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our vision for tax is to be a responsible corporate citizen, contributing the right amount of tax to society on time and in the right tax jurisdiction.

Respect for Human Rights

The Group takes very seriously its obligations under the Human Rights Act and seeks to act accordingly in all aspects of its operations. Modern slavery is an international crime and we are committed to taking all necessary steps to prevent modern slavery within our business and also within our supply chains. During the year, the Group's Modern Slavery Statement was republished in accordance with the Modern Slavery Act 2015 and publicly summarised the principles of the Group's Modern Slavery policy.

The Group recognises that responsibility for eradicating modern slavery rests with us all. All individuals working within the Group, in every capacity, are expected to be familiar with the Group's Modern Slavery Policy and be proactive in preventing modern slavery. This includes employees at all levels: Directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third party representatives and business partners.

Our Modern Slavery Policy sets out a zero tolerance approach to any potential or actual breaches of the policy. It sets out the steps taken by Ibstock and other relevant Group companies to prevent modern slavery and human trafficking in its business and supply chains. Annually, our employees certify their compliance with our policies and, through the Group's Supplier Code of Conduct, we monitor our suppliers to ensure they maintain similar policies to ensure our standards are upheld throughout our various supply chains.

Code of Conduct

Our Group Code of Business Conduct, together with our Supplier Code of Conduct, set out the behaviours expected of our staff and third parties we do business with. Also, to help us encourage the highest standards of ethical behaviour, corporate governance and accountability in our business activities, the Group operates an anonymous whistleblowing hotline, which is available 24 hours a day, seven days a week. A summary of whistleblowing activity, together with details of related investigations, is provided to the Board on a regular basis.

The Group's brands and customer relationships are key to the sustained long-term success of the Group, as recognised within the principal risk number 3 (see page 37). Maintenance of our customer relationships is a key focus of our employees and Net Promoter Score ("NPS") serves as one of our non-financial Key Performance Indicators.

Workforce

It is essential to the success of our business to build a safe, healthy and happy workplace where our people can reach their full potential. This success is being built on the implementation of a zero harm philosophy, by promoting workplace health and wellbeing, social inclusion and diversity and by nurturing the talent within our business. The Executive Leadership Team ("ELT") and the wider Senior Leadership group take an active responsibility towards our workforce health and wellbeing and play a positive role in not only encouraging physical wellness, but social and mental health as well.

Zero Harm

During the year we launched a health and safety roadmap targeting risk management, workplace environment and equipment, health and welfare, systems and procedures, competence and training. In conjunction with our Health and Safety Policy Statement these documents help to focus on how we achieve our goal of a 50% reduction in our Lost Time Incident frequency rate by 2023.

We have reviewed and standardised the permit to work process for contractors so that it is reflective of HSE guidance and incorporates industry best practice. Our new employee and contractor induction programme covers both the employer's and employee's responsibilities for Health and Safety.

The competency of our workforce is vital to ensure day to day tasks are performed safely. A minimum standard has now been set for Managers who will be trained in the National Examination Board in Occupational Safety and Health General Certificate and any other employee with supervisory responsibility will be trained to Institute of Occupational Safety and Health Managing Safely. Training has started and this will continue in 2020.

Demonstrating our commitment to health and safety and improvements in this area, Ibstock won numerous awards at the recent Ceramic Industry Health and Safety Pledge Awards, recognising individual contributions to health and safety, health and safety improvements and contractor health and safety performance.

Wellbeing

The year also saw us launch a Wellbeing Programme encouraging open dialogue through monthly presentations on a range of health topics including healthy eating, drugs awareness, emotional wellbeing and cancer; making sure our people are aware of additional supporting information and the free health and wellness resources available such as flu jabs, eye tests and general physical wellbeing checks.

Diversity and Inclusion

We believe the diversity of our people strengthens our judgement, independence and decision making. We recognise that we operate within what has traditionally been a male dominated industry and that some deeply embedded societal stereotypes will take focused and sustained effort to change. Our Diversity and Inclusion Policy sets out our commitment to promoting equal opportunities in employment and ensuring that all job applicants, employees and other workers (such as agency staff and consultants) are treated with dignity and respect regardless of any personal characteristics. Our gender diversity performance is displayed in the charts on page 26.

We have a number of initiatives focused on supporting women at Ibstock both at the start of their career as well as at more senior levels in the organisation. Our Women in Business network continues to be very active involving inspirational speakers from within and outside the Company.

In addition, we have worked closely with our engineering apprenticeship partners Make UK, to attract a more diverse range of applicants.

The Group is an equal opportunities employer and considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, wherever practicable, the recruitment, training, career development and promotion of disabled people and the retention of and appropriate training from those who become disabled during their employment.

The evolution of our Flexible Working Policy is helping us to create working environments that are adaptable to our workforce's personal circumstances.

Workforce engagement

During 2019 we focused effort and resources on improving the way we communicate with our people.

New channels include the introduction of weekly emails from the Managing Director of each division of our business, allowing all members of the workforce to gain a deeper level of understanding of their business area, incorporating commentary on wider divisional events and activity to ensure all employees understand the organisation's business and direction of travel.

Our new quarterly employee newsletters have proved to be popular and are our critical communications channel. The 'newsy' content is coupled with an accessible tone of voice to ensure widespread readership and engagement. Our workforce tells us they are pleased to see updates on business successes sit alongside their own news of charity contributions; personal development accomplishments; and length-of-service milestones. We will use one or more of these channels to brief members of our workforce about our business performance and the financial and economic factors affecting us.

Team working and collaboration

A series of Back to Work Days were organised at the beginning of 2019. This is a new annual initiative in which managers across the Group hold a one-off session with their teams. Feedback from the first meetings was very positive and resulted in a change of name to "Safe Start" for 2020. Moving forward, this will be an essential forum to share achievements from the previous year and to facilitate a team discussion about individual, site and Company targets for the remainder of the year.

The launch of a twice-yearly Senior Leadership Team Conference ("SLT") has proved to be a successful format to engage the top leaders in our organisation. Covering business performance and key areas of focus, the SLT offers the perfect environment in which relationships can grow and a collaborative culture can be fostered.

Employee feedback

We value the opinions of all of our people. We relaunched our employee engagement survey in 2019 and we are in the process of developing action plans at all levels to ensure that the feedback from this is communicated and actioned in the most meaningful and appropriate way.

Listening Post

We introduced and held our first Listening Post in 2019, a twice-yearly forum chaired by the CEO, and attended by a non-executive director from the Ibstock plc Board and elected employees from across our business. The Listening Post is a place where employees can have their voice heard at the most senior level and discuss ideas, issues and concerns raised by colleagues. The first of these was held in November 2019 and discussed a range of topics including a general update on the business, timing and discussion of the results of the employee feedback survey, capital investment, growth opportunities and climate change. It also provided an opportunity for all attendees to consider what aspects of the Ibstock business they would choose to stop, continue or carry on. Details of meetings including the issues discussed is circulated in order to ensure all parts of the Group are fully briefed and engaged in this exciting new initiative. The intention is that this forum will meet twice a year and different members of the Board's independent non-executive director community will attend on a rotational basis.

Leadership and talent

We are growing our business by investing in our people and their careers to help them achieve their full potential. Each year we see many of our colleagues celebrating 25 years or more service, something we feel demonstrates an organisation where people feel valued.

Our training and development programme contributes to a highly engaged workforce. In 2019, over 9,000 days of training were provided to the Group's employees: this equates to an average of almost four training days per person. We deliver a comprehensive development programme covering a range of topics from operational and technical skills improvement through to modular and structured Leadership Programmes to support our succession plans.

Ibstock University, now in its 20th year, was created to ensure our workforce has a detailed understanding of our products, manufacturing techniques, building process and technical support.

For over 20 years we have operated a highly successful award winning Engineering Apprenticeship programme. This has been enhanced through central co-ordination and standardisation to ensure all apprentices are trained to a consistent standard, including specific sign-off within the organisation over and above that required by the training provider. During the year this was extended across the whole business and we recruited 15 engineering apprentices across our Clay and Concrete divisions. There are now 39 apprentices ranging from 16 to 25 years of age, with nine new engineering apprentices welcomed onto our programme in 2019.

Customer, suppliers and other business relationships

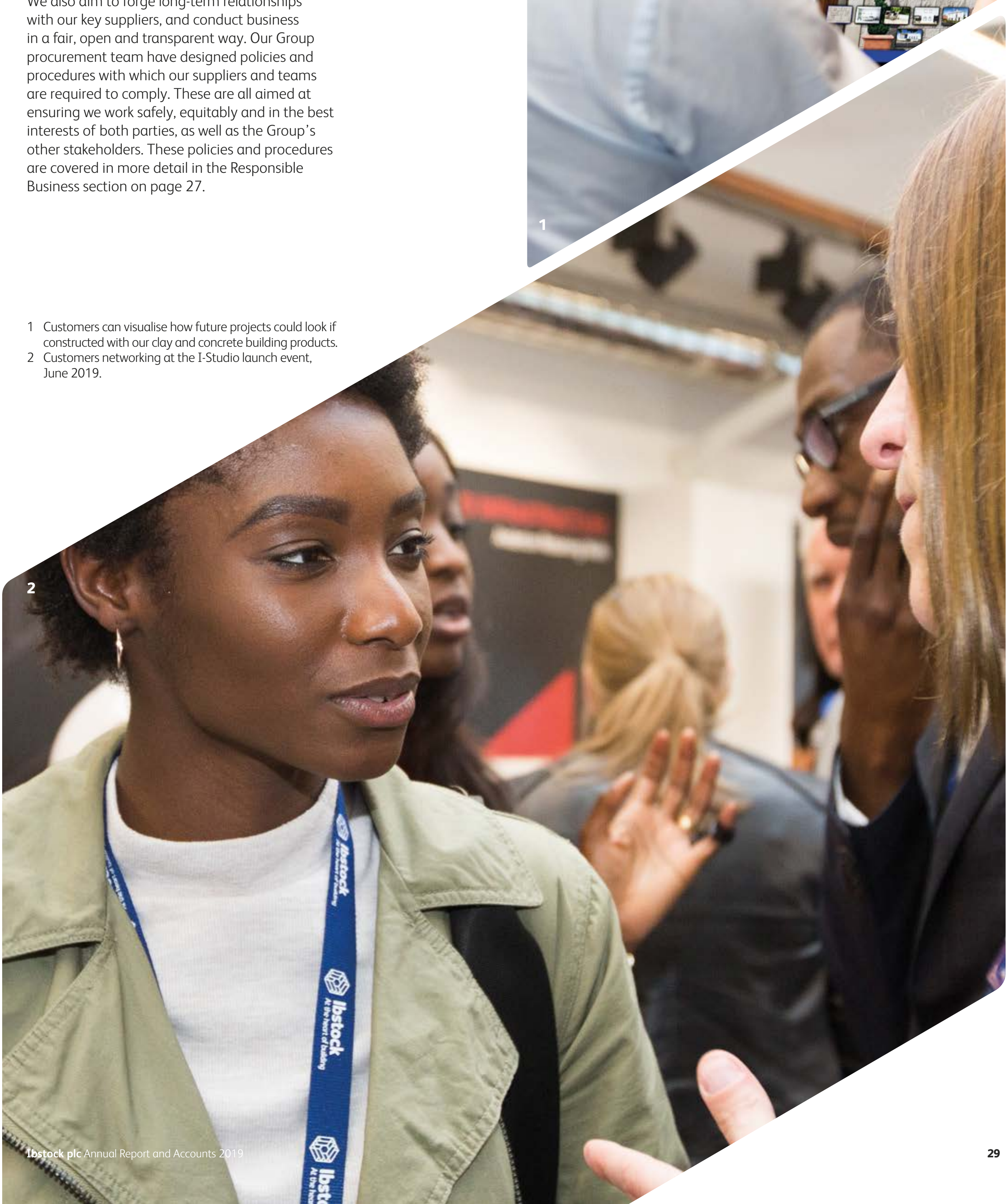
Our commitment to customer service excellence and continuous innovation through the sale of our products to housing developers or through intermediaries including builders merchants and brick factors necessitates a real focus on a service-led ethos.

We seek to differentiate ourselves as a manufacturer by employing architects and design assistants to provide technical support to product specifiers and customers at the design stage, and to promote efficient use of our products within developments.

We also aim to forge long-term relationships with our key suppliers, and conduct business in a fair, open and transparent way. Our Group procurement team have designed policies and procedures with which our suppliers and teams are required to comply. These are all aimed at ensuring we work safely, equitably and in the best interests of both parties, as well as the Group's other stakeholders. These policies and procedures are covered in more detail in the Responsible Business section on page 27.

1

1 Customers can visualise how future projects could look if constructed with our clay and concrete building products.
2 Customers networking at the I-Studio launch event, June 2019.



2

Sustainable innovation

By establishing a culture of partnership and collaboration with our customers and suppliers, and by investing in innovation, we can build even greater sustainability into our product portfolio.

We have worked hard to create a culture where change is embraced and new approaches are welcomed. In doing so, we have been able to develop new, more sustainable products and resource-efficient ways of problem solving and are well placed to reach our target of generating 10% of revenue from sustainable products by 2025.

We define a sustainable product as one that combines a long product life with strong environmental and financial credentials. This means that we are actively implementing new ways to manufacture our products using less virgin material, less water and less carbon. Every part of our supply chain will be required to sign up to the same way of thinking.

Value through collaboration

Building value through collaboration is a way of thinking within Ibstock. Working in partnership with our customers and suppliers we are able to co-create solutions and catalyse leading-edge innovation.

This approach can be applied to the development of products and solutions as well as the implementation of efficiencies within our production and maintenance processes.

Successful partnering benefits both us and our partners and ultimately adds value to our customers. A perfect example of a successful collaboration is the launch of Ibstock Brick's MechSlip brick slip cladding system. Working alongside Ash and Lacy, a Midlands based specialist in metal fabrication and cladding, this product is an exemplar of continuous product innovation across the Group.

Product Development

Both the commercial and residential sectors have seen architects and developers thinking more carefully about the materials they use. The appetite for sustainable products that are proven to offer low levels of embodied carbon and high levels of recycled content will increase as the demand for 'net zero carbon' buildings grows.

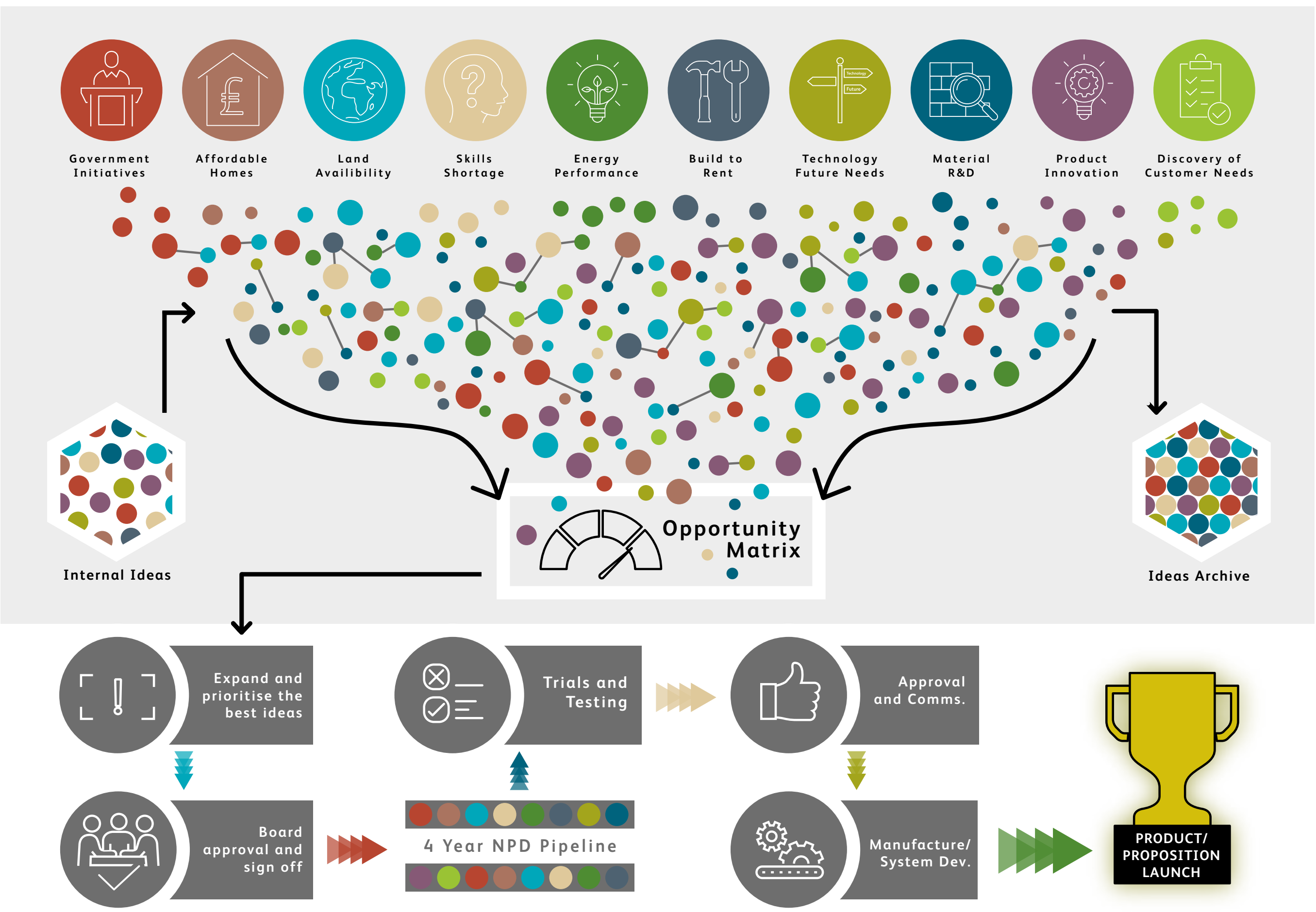
Changing perceptions and widening the understanding of the sustainability credentials of clay and concrete products is important. We must show leadership in helping customers to view our products through the prism of longevity and durability.

We have invested time and effort educating the market on the way in which our products contribute to the circular economy. For example, Forticrete widely publicised its support for the publication of DEFRA's From Waste to Resource Productivity report. This document analyses the ways in which waste can be treated as a valuable resource and recognises the recycling and energy recovery that the UK cement industry provides through the process of 'co-processing'. We communicated the findings of the report to help customers and specifiers understand the value of considering the 'whole life' of concrete products.

The I-Studio is a game-changing resource for architects and everyone involved in the built environment. Designed as an interactive space to facilitate greater collaboration across the specification process, professionals can visit the space upon appointment and meet Ibstock's team of in-house Design Advisors, on-hand to provide expert guidance and advice for every facet of a project's journey.

Along with Ibstock's complete product portfolio, from walling solutions and concrete flooring solutions to fencing, landscaping and building products, visitors to the I-Studio can utilise unique software like Ibstock's new Product Selector, giving them the opportunity to visualise how future projects could look if constructed with clay brick and concrete building products.

Growth engine



Sustainable supply chain

Launched in 2019, our Supplier Sustainability Code of Business Conduct and Sustainable Procurement Policy take our existing procurement policies a step further. This new initiative ensures the judgements and decisions we make are backed up by knowledge and application of the highest ethical principles. Led by our Procurement Team, the new Code applies to all purchases of goods and services. It establishes how we conduct business with our suppliers and the expectations we have of them with regard to the way they conduct their own business.

In the first half of 2020, we will be holding our first Supplier Day, at which key suppliers will be invited to participate in discussion around our sustainability roadmap and targets.

Communities

Our products have a tremendous influence on the places they create. As such, we have a role to play in helping to shape the future physical, environmental and social characteristics of the built environment. We believe this will have a positive impact on the communities that live in and use these spaces.

We are also passionate about creating social value and making a positive contribution to the communities where we operate. We will achieve this by sharing our expertise, providing jobs and supporting the local economy. By actively engaging with our neighbours, showcasing the work we do and explaining its importance to the locality we are able to demonstrate our long-term commitment to the communities we operate in and help these communities to thrive. For these reasons, we have set ourselves a target that 100% of our sites will report on community engagement by 2023.

Supporting local projects

Ibstock has supported numerous community projects over the past year, whether it's involvement in a new children's play area in Stourbridge, a refurbished tennis club house in Old Sodbury or a new activity play area for children in Frampton Cotterell near Bristol, each and every one adds a new and positive dimension to the lives of a wide range of people.

We recognise that investing time into our communities is important and so we regularly spend time with local groups and schools including the local Scouts and Guides, local schools and our local Parish Officers. Many of these organisations helped plant some of the 15,000 trees as part of the Eclipse project in Ibstock.

The Chartered Institute of Building recently reported that the construction sector will need to find 157,000 new recruits by 2021 in order to keep up with demand. As one of the UK's leading construction products manufacturers, we play an active role in working with local colleges and skills-building organisations to address the sector skills shortage and close the gap between education and the construction industry. We also work with young children too and have developed an ongoing partnership with Construction Skills Village which provides people in Barnsley, Doncaster and Scarborough with learning opportunities. We hope that the bricks we have donated will support the development of students and their journey into fulfilling employment.

Proud to be supporting Shelter

Over the years Ibstock has raised funds for many different causes. At a special event held in June 2019 our volunteer Charity Champions selected our first Group charity partner, Shelter. We are extremely proud and excited about this partnership and will work with them to raise awareness and vital funds to support people who are experiencing homelessness.

Our partnership will be for a minimum of two years to allow for our relationship to grow and for momentum to build.

14 colleagues from our Chailey factory took on the challenge to climb the 02 Arena in London to kick start their fundraising campaign for our chosen charity Shelter, raising around £700.

Environment
Improving the environmental performance of our products and operations is of paramount importance to us as a business. Only by protecting and improving the natural environment, improving our resource efficiency, optimising the production efficiency of our facilities and facilitating continuous improvement will we meet our target of a minimum 15% reduction in CO_2.

Carbon
Ibstock's commitment to carbon reduction has meant we are playing an active role in helping the UK Government to achieve its ambitious carbon targets for 2050.

We believe we have responsibility to take a leadership role in the drive towards greater energy efficiency. Indeed, it has been integral to our company philosophy for many years. Perhaps most saliently, our Group has been a continual early adopter of environmental, energy and quality standards which provide a consistent set of measurement and reporting procedures.

And at the heart of our carbon reduction strategy is our People First approach. This means we put individuals at the very centre of problem-solving. We truly believe that by engaging and involving people across all functions of our business we are able to work as a single team; drawing on both vast experience and fresh ideas for sustainable best practice from new and existing employees.

Investing for performance
Right across our business, we are committed to more sustainable methods of manufacturing. Our programme of investment in modern, energy efficient plant and equipment, clean energy sources and smart technologies means we can operate more efficiently. This is an essential foundation for our future; we can use these efficiencies to achieve competitive advantage, without it costing the earth.

For example, our Eclipse factory remains the most efficient brickworks of its kind and the new kiln at our Lodge Lane factory is 50% more fuel efficient than its predecessor. Meanwhile, full and partial upgrades to LED technology at 10 of our factories will deliver up to 65% savings by comparison with traditional lighting technologies. We have a rolling programme in place to upgrade all of our sites to LED technologies by the end of 2020.

Green innovation
As part of the Government's 2018 UK Green Week initiative, we pledged to install solar panels at our Leicester HQ in 2019. On bright, sunny days, this will generate enough electricity to satisfy around one third of the site's electricity requirements.

Additionally any excess power we generate will be exported back to National Grid. By greening our energy supply, we are bolstering our energy resilience and contributing to a reduction in generation from fossil-fuelled power stations.

Helping our staff to reduce their own reliance on fossil fuels is also important to us. In 2018, we started the process of installing electric vehicle charging infrastructure for use at four of our sites. These charge points will be free to use for our staff and visitors.

Waste
Our target is to achieve zero waste to landfill by 2022. To date, we have achieved an almost 50/50 split between waste that is sent to landfill and that which is recycled and we remain confident of reaching our target. We have also piloted a zero waste to landfill approach at one site and will progress this as part of the commitments we are making within our Sustainability Roadmap 2025.

Ibstock Brick is on track to achieve the Carbon Trust Zero Waste to Landfill Standard by 2021. This will be achieved by partnering with our waste providers and continued engagement with our people. Meanwhile, 100% of Forticrete's process waste is recycled, either by ourselves and re-used in the manufacturing process – or it is externally processed and recycled into secondary aggregates or hardcore.

We are working with our distribution partner Wincanton to optimise our transportation strategy. If we can get more bricks on each load, it means fewer lorries and lower emissions.

Building a circular economy
Key to our waste strategy is our belief that we need to actively participate in the circular economy. This means we are actively searching for new ways to minimise our environmental impacts and our use of natural materials. This is achieved through recycling and reuse and by achieving a smaller environmental footprint.

Even small changes in our production processes can make a difference. For example, within our North East production process, we are now using 149 tonnes of glass powder from a recycled source. At our Southern factories, we are using 94 tonnes of granite fines from a recycled source. We have also been able to use over 10,000 tonnes of Rockwool from the tomato growing industry.

We also know that we can increase the amount of recycled content in our concrete products and that this can be done without compromising on the products' strength and quality.

(Left to right) Jasmin Edwards, Hannah Haefield and Paul Callis, Customer Sales Coordinators, Leicester Sales Office.

Plastics

Plastic waste reduction is at the top of the global agenda. Whilst our reliance on single-use plastics is low there is a strong desire at all levels within the business to do more. Under the stewardship of our new Plastic Taskforce, we are encouraged with the progress that has been made already; and equally, we are motivated by the global focus on this area and the widespread determination for change. During the year we intend to introduce a plastic packaging KPI based on the kilograms of plastic used per tonne of production.

To date we have achieved an 2% reduction in kilograms plastic per tonne of production since 2015 and most of our current plastic packaging contains 45% recycled materials.

Ways we are reducing our plastic use…

- A number of pilot trials are ongoing and by the end of 2020 this should lead to plastic shrink hood tonnage being reduced by 38%.
- A closed loop recycling system is being investigated with a major housebuilder as a partner.
- Together with our supplier partners and customers we are looking at all plastics with a commitment to eliminating the plastics we don't need, so all the plastics we do need are designed to be safely reused, recycled or composted.

Water

Water is a precious resource. Hence, we are committing to a 5% reduction in mains water use per tonne of production by 2025.

Eliminating waste and exploring different ways to reuse water is a priority across all our sites. The latest data, for 2019, reveals that our use of recycled and non-mains water now totals more than 500 million litres per year – which has more than doubled since our 2015 benchmark year. This is due to a combination of more robust methodologies, a greater understanding of how we use water and by building awareness and engagement of water efficiency amongst our employees.

During 2019 around 30% of the water used in production came from the mains; and we are delighted to report that 70% came from non-mains sources such as recycled water, boreholes and quarries.

Working with our water suppliers, we constantly evaluate and trial new ways to minimise waste and maximise our resource efficiency. Successful initiatives include smart metering and leak detection and repair.

Greenhouse Gas ("GHG") emission figures

The strategic location of the Group's manufacturing plants, with a wide spread of factory locations across the UK, enables us to minimise the transferring distances of products from leaving our premises to reaching the customer. This assists in reducing the environmental impact of transporting our products.

In 2019 our GHG intensity ratio reduced to 0.16 tonnes of CO_2e per tonne of production.

	2019	2018
Scope 1 Tonnes of CO_2e Combustion of fuel and operation of facilities	**349,077**	346,197
Scope 2 Tonnes of CO_2e Electricity	**28,429**	31,442
Intensity Ratio Tonnes of CO_2e per tonne of production	**0.16**	0.17

In early 2019, Ibstock Brick was announced as the winner of the Energy Efficiency category at the prestigious edie Sustainability Leaders awards 2019. Group Sustainability Manager Michael McGowan was Highly Commended as Energy Manager of the Year at the same ceremony but was the recipient of this award in February 2020.

Local schools help Ibstock Brick to plant the future.

The Board is responsible for carrying out a robust assessment of the Company's emerging and principal risks.

Overview

The Board is assisted in discharging this responsibility through its Audit Committee, whose role includes reviewing the Company's internal financial controls and risk management systems, as well as considering specific risks through a series of 'deep dives' introduced during 2019. Further detail on the role of the Audit Committee can be found on pages 64 to 67, whilst details of the Group's system of internal controls can be found in the Governance section on page 62.

A review of the Group's risk management approach, conducted by KPMG LLP, was concluded in Q1 2019. Upon completion, the Board approved the adoption of a refreshed Enterprise Risk Management structure, which has been subsequently implemented by management. The activities completed during 2019 have validated risk registers for the Group's two divisions and its support functions, and used these to review and consider appropriate mitigation of the Group's reported principal risks and uncertainties. The in-depth review of principal risks has resulted in the following changes:

– Inclusion of an emerging risk associated with climate change. Whilst this reflects the urgency and focus displayed by the public, governments, international bodies, investors, customers and the media, it primarily recognises the importance of the Group's continued attention to its sustainability programme;
– Inclusion of a specific risk to recognise the Group's need to remain focused on anticipating changes in its markets and new product development through its strategic priority of innovation;
– Removal of the pension obligation principal risk to reflect the continued valuation surplus and progress of the Scheme Trustees in de-risking the pension liabilities; and
– Removal of the principal risk 'Government action and policy' to recognise the supportive messages regarding housing which the UK Government and opposition parties have made during recent months. This, combined with the confirmed extension to the 'Help to Buy' scheme, has reduced this particular risk outside of the Group's principal risks in 2019.

The principal risks are broadly categorised as strategic, operational or financial in nature. Strategic risks arise from decisions taken by the Board and management concerning the Group's strategy and concern the positioning of the Group within the building products market. Operational risks result from the failure of internal processes and controls or external events. Financial risks arise from movements within the financial markets in which the Group operates or the inefficient movement of the Group's capital resources.

Emerging risks were considered by the Board following management consideration of emerging hot topic risk areas relevant to the Group. The Directors are carefully monitoring the ongoing situation regarding the Coronavirus outbreak, which has been declared a Global Health Emergency by the World Health Organization. To date guidance has been issued to all employees on how best to protect themselves and others, together with communication of foreign and Commonwealth office travel advice.

The principal risks discussed below, separately or in combination, could have a material adverse effect on the Group's business model, future performance, solvency or liquidity.

The principal risks are set out together with:

– A description of the risk and its potential impact;
– Examples of current controls and mitigation the Group has in place;
– An indication of direction of travel of the risk exposure;
– Categorisation of the risk as strategic (S), operational (O) or financial (F) in nature; and
– An indication of the link to the Group's strategy, as set out on page 16.

Mapping risk to our strategy

Our principal risks and uncertainties	Risk type	Sustainable performance	Market led innovation	Selective growth
Economic conditions	O	●	●	●
Government regulation and standards	O	●	●	
Customer relationships and reputation	O	●	●	
Operational disruption	O	●	●	
Recruitment and retention of key personnel	O	●		●
Input prices	F	●		●
Product quality	O	●	●	●
Financial risk management	F	●		●
Cyber security	O	●	●	
Climate change	O	●	●	
Anticipating the market and new product development	S		●	

S: Strategic
O: Operational
F: Financial

Find out more

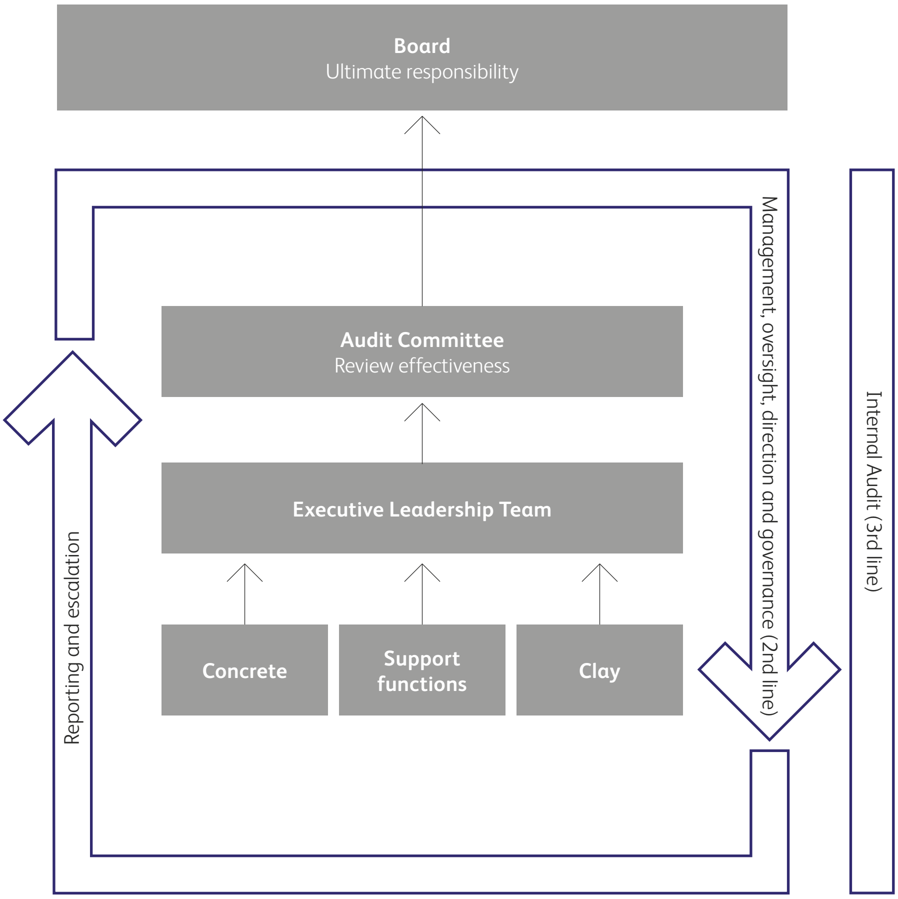
Our market page 10
Our business model page 14
Our strategy page 16
Key performance indicators page 24
Resources and relationships page 26

Risk management framework

To effectively manage risk, operational level controls are embedded across the Group and form a key part of day to day processes. The Board maintains ultimate responsibility for the Group's control monitoring and provided direction to management in its assessment of Group-wide risk. During 2019, the Board has championed the importance of the Group embedding risk management within the operations of the business.

Management operates a 'three lines of defence' structure to its internal financial controls, with management operating the first line of defence covering the day to day risk management activities – implementing and executing internal controls. The second line (health and safety, quality control and other central functions) works alongside the risk owners to support the design and implementation of the controls framework whilst the independent third line is operated by the outsourced Internal Audit provider, RSM LLP.

During the year, the Directors' assessment of risks included review and challenge of management's risk registers. This followed the Group's Executive Leadership Team's review and approval.



Operational level controls
Day to day activities to identify and manage risk (1st line)

Managing risk

The Group uses a heatmap to provide a visual, holistic view of the risk environment and assist in the management of risks.

The heatmap illustrates the Directors' assessment of the residual risk following the mitigating actions to reduce risks through the internal control actions established by the Group.

Residual risk

1. Economic conditions
2. Government regulation and standards relating to the manufacture and use of building products
3. Customer relationships and reputation
4. Operational disruption
5. Recruitment and retention of key personnel
6. Input prices
7. Product quality
8. Financial risk management
9. Cyber security
10. Climate change
11. Anticipating the market and new product development

Principal risks and Brexit

Following the UK's departure from the EU on 31 January 2020 the ongoing nature of the trade negotiations has introduced a degree of uncertainty which could give rise to longer-term macroeconomic changes (Risk 1). As noted within our Principal risks and uncertainties disclosure, negative macroeconomic changes could reduce demand for the Group's products.

Overall, the Directors believe the Group has limited exposure as a result of Brexit, but recognise that the potential impacts could reach further and impact several of the principal risks identified by the Group. As a result, contingency plans have been developed in order to mitigate risks arising from the interaction of Brexit and our Principal risks and uncertainties. During 2019, the Group's operating companies have monitored the development of Brexit and further developed these contingency plans.

The Group's sales are predominantly to UK based customers and the majority of the Group's supplies are sourced from within the UK (Risk 6).

Where suppliers are based overseas, or the goods we purchase from UK suppliers have themselves some component sourced from outside the UK, we have contacted the suppliers to discuss their plans following Brexit. As a result, some suppliers have agreed to lay down additional stock in the UK whilst other suppliers have provided reassurances that they will ensure continuity of supply.

We have also liaised with our primary haulage providers to ensure they have suitable contingency plans in place, which will help maintain our high standards of customer service in the event of wider transport disruption issues (Risks 3 and 4).

The Directors believe this action has considered both our supplies and the risk of border traffic congestion, should any arise.

The vast majority of the Group's employees are UK citizens, which reduces the risk of shortages of labour as a result of Brexit, although we continue to focus on employee engagement to retain our workforce (Risk 5).

Movement of risk

- Increase
- Decrease
- No change

1. Economic conditions

The Group's business could be materially impacted by changes in the macroeconomic environment in the UK. Specifically, demand for the Group's products is strongly correlated with residential construction and renovation activities and non-residential construction, together with the supply chain's attitude to stock levels, which are cyclical.

In addition, should negative impacts on economic conditions arise as a result of the UK's decision to leave the EU, this could include a reduction in housing demand, or reduced mortgage availability or affordability. Such consequences would likely reduce demand for the Group's products.

Link to strategy

1 2 3

Mitigation

Wider macroeconomic conditions are largely beyond the control of the Group. However, the Group seeks to analyse construction statistics using independent forecasts of construction statistics and forecasts future demand based on stated customer requirements with the aim of anticipating market movements.

The Group has historically flexed capacity and its cost base where possible during economic downturns to allow more of the Group's manufacturing plants to remain open and viable, maintaining skills, development and training. The Group believes this maintained employee morale and high levels of customer service through the last economic downturn. It also allows the Group to respond more rapidly to increases in demand and keep customers satisfied.

The Group's RMI and specification product ranges diversify end-use exposure and provide greater resilience in light of changing market demand in any of its end-use markets.

Our responses to possible Brexit implications are noted within the "Principal risks and Brexit" summary. Opportunities may arise for the Group given the increased reliance on imported bricks during 2019.

2. Government regulation and standards relating to the manufacture and use of building products

The Group's production, manufacturing and distribution activities are subject to Health and Safety risks. The Group is subject to environmental, health and safety laws and regulations and these may change. These laws and regulations could cause the Group to make modifications to how it manufactures and prices its products.

Greater regulation following the Grenfell tragedy has increased the risk that the Group's failure to comply with the relevant regulations would result in the Group being liable to fines or a suspension of operations, which would impact the Group's financial results, together with any associated negative reputational damage.

Link to strategy

1 2

Mitigation

The Group monitors the law across its markets to ensure the effects of changes are minimised and the Group complies with all applicable laws. The Group aligns Company-wide policies and procedures accordingly with training on mandatory topics and compliance requirements undertaken.

The health and wellbeing of our employees is fundamental to our business. We have stringent Health and Safety policies and monitor compliance regularly through internal and external auditing activity.

We have also invested considerable resources in employee training across our manufacturing processes. We have invested heavily in safe systems and facilities to protect our employees.

Strategy key
1 Sustainable performance.
2 Market-led innovation.
3 Selective growth.

3. Customer relationships and reputation

The Group receives a significant portion of its revenue from key customers and the loss of any such customer through our failure to evolve effectively and meet the changing needs of our customers could result in a significant loss of revenue and cash flow. Constriction in activity levels within the construction industry introduces a risk that price levels cannot be maintained, resulting in dilution of margins or level of market share and adversely Impacting the Group's financial results.

Further, the Group does not have long-term contracts with its customers and the Group's revenue could be reduced if its customers switch some or all of their business with the Group to other suppliers or if we are unable to leverage our customer relationships effectively.

Link to strategy
1 2

Mitigation
The Group has a service-led ethos with many top customer relationships lasting over 40 years. The Group differentiates itself through the continued quality of its products and service levels with Net Promoter Score ("NPS") surveys completed to build customer relationships through proactive response to customer requirements.

The Group's sales and production teams are highly integrated to ensure that production aligns with customers' needs. Sales teams receive in-depth technical training and are assisted by a design support service team as well as targeted marketing materials to assist with specification and selection.

The Group's businesses each have their own sales teams aligned by customer group and region in order to focus on key decision makers and customers. Key account management is supervised at a senior level where long-term relationships benefit from the Group's commitment to quality, service and consistency.

4. Operational disruption

A material disruption at one of the Group's manufacturing facilities or quarries, or at one of the Group's suppliers' facilities, could prevent the Group from meeting customer demand.

The Group depends on efficient and uninterrupted operations of its information and communication technology, and any disruption to these operations could have a material adverse effect on the Group's operations and financial performance. Failure to deliver capital enhancements on a timely basis could similarly extend planned closures and adversely impact the Group's production capabilities.

Additionally, the Group is exposed to the impact of unexpected or prolonged periods of bad weather, which could adversely affect construction activity and, as a result, demand for the Group's products.

Link to strategy
1 2

Mitigation
The Group has the ability to transfer some of its production across its network of plants and is able to engage subcontractors to reduce the impact of certain production disruptions.

In relation to supplier disruption or failure, further third party suppliers have been identified who can maintain service in the event of a disruption. In relation to IT, a major incident action plan has been developed and the Group maintains data backups and a comprehensive disaster recovery plan covering Group and individual factory locations.

The Group maintains a capital expenditure development plan, which is focused on integrating the latest technology and replacing end-of-life assets to ensure continued operational capability. The enhanced maintenance programme announced in July 2018 ensures a disciplined approach to plant outages, whilst ensuring greater investment in maintenance on an ongoing basis, this is supported by qualified project management resource to ensure disruption is minimised.

Management do not underestimate the potential impact that future prolonged periods of bad weather could have. Weather conditions are beyond the Group's control, although historically adverse weather has not impacted trading in the context of any full year.

The Group maintains appropriate business interruption insurance, whilst its wide geographical spread mitigates this risk to some extent and allows it to manage its production facilities to mitigate the impact of such disruption.

5. Recruitment and retention of key personnel

The Group is dependent on qualified personnel in key positions and employees having special technical knowledge and skills. Any loss of such personnel without timely replacement could disrupt business operations, damage customer relationships or result in the loss of corporate knowledge.

There is a risk that the Group faces difficulties in attracting and retaining staff in production roles, which are labour-intensive and potentially less attractive to the younger population.

Link to strategy
1 3

Mitigation
Focused action plans are in place as a result of the 'Great place to work' employee engagement survey aimed at further building on employee satisfaction.

Investment in our people through training and development programmes is in place to upskill our existing workforce whilst we recognise the changing labour markets, and packages for key and senior staff remain competitive.

The Group believes that it is essential to support and develop the management team, where appropriate, ensuring that the team is structured in a way which best takes advantage of the available skills and robustly identifies the team and structure for the future. Extensive succession plans are in place, which is key to ensuring a managed transfer of roles and responsibilities.

Apprenticeship schemes are in operation with a yearly intake across the business (engineering and technical based). High potential individuals are identified with development plans formulated. External recruits are brought in where any skill gaps are identified and to enhance the talent pool.

6. Input prices

The Group's business may be affected by volatility in extraction expenses and raw material costs. Risks exist around our ability to pass on increased costs through price increases to our customers.

The Group's business may also be affected by volatility in energy costs or disruptions in energy supplies. Significant changes in the cost or availability of transportation could affect the Group's results.

Link to strategy
1 3

Mitigation
Significant input costs are under constant review, with continuous monitoring of raw material costs, energy prices and haulage expenses, with the aim of achieving the best possible prices and assuring stability of supply.

With regards to possible energy shortages, the Group operates forward purchasing to mitigate the impact of sudden price increases and monitors the carbon market on an ongoing basis and has modelled the impact of such rises to assess the financial implications (see Viability Statement on page 47).

As competitors of the Group are likely to experience similar levels of input price increases, we aim to have appropriate pricing policies to remain competitive within our markets and pass on significant increases in input costs.

7. Product quality

The nature of the Group's business may expose it to warranty claims and to claims for product liability, construction defects, project delay, property damage, personal injury and other damages.

Ensuring accuracy of the Group's product data is important to the Group's continued success with any inaccurate data potentially placing the end user at risk.

Any damage to the Group's brands, including through actual or alleged issues with its products, could harm our business, reputation and the Group's financial results.

Link to strategy
1 2 3

Mitigation
Post-Grenfell tower disaster, the focus on accurate product information has heightened, with the Group's customers demanding greater information regarding the product specifics.

The Group operates comprehensive quality control procedures across its sites with both internal and external audit reviews of product quality completed to ensure conformance with internationally recognised standards.

All accredited staff undergo rigorous training programmes on quality and the Group's Technical teams carry out regular testing of all of our products to provide full technical data on our product range.

The Group maintains appropriate insurance cover against product liability related claims.

8. Financial risk management

In addition to the input cost risks outlined within risk 6, the Group is subject to the following other financial risks:

– **Foreign exchange risk:** As the Group transacts in currencies other than Sterling, exchange rate fluctuations may adversely impact the Group's results.
– **Credit risk:** Through its customers, the Group is exposed to a counterparty risk that accounts receivable will not be settled leading to a financial loss to the Group.
– **Liquidity risk:** Insufficient funds could result in the Group being unable to fund its operations.
– **Interest rate risk:** Movements in interest rates could adversely impact the Group and result in higher financing payments to service debt.

Following disposal of the Group's US subsidiary during 2018, the foreign exchange risk within financial risk management has reduced.

Link to strategy
1 3

Mitigation
– **Foreign exchange risk:** The Group undertakes limited foreign exchange transactions selling domestically with largely local input costs. Some capital expenditure requires foreign exchange purchases and management considers foreign exchange hedging strategies where significant exposures may arise.
– **Credit risk:** Customer credit risk is managed by each subsidiary subject to the Group's policy relating to customer credit risk management. The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter.
– **Liquidity risk:** The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements and liabilities when they become due. At 31 December 2019, the Group has net debt of £85 million – well within the banking facilities of £215 million, as set out in Note 19 of the Group financial statements.
– **Interest rate risk:** The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's bank borrowings, other facilities and deposits are in Sterling and at floating rates. No interest rate derivative contracts have been entered into during the year or at the year end.

Strategy key
1 Sustainable performance.
2 Market-led innovation.
3 Selective growth.

9. Cyber security

High-profile attacks on companies across a number of industry sectors (including one of our own major customers) have highlighted the damage that can now be caused by hackers and cyber terrorists. Unauthorised access to the Group's IT systems, malware attacks or hacking incidents represent the greatest cyber security risks to the Group.

Such IT security risks have the ability to significantly disrupt the Group's business, resulting in financial loss. Potential penalties could arise from the loss of data as a result of breaches to the Group's IT security or reputational damage as a result of negative publicity associated with control lapses in this area.

Link to strategy

1 2

Mitigation

The Group is committed to ensure that its network, applications and data are protected.

During the past two years, the Group has completed a review using an external cyber security programme framework, which provides coverage across the key areas of cyber security and aligns with industry standards. This has culminated in the Group's achievement of the UK Government's Cyber Essentials accreditation, which is subject to independent audit annually.

10. Climate change

NEW RISK

The Group may not deliver upon its commitment to sustainability. An inability to manage energy demand needs within our sustainability targets or changes in consumer demand may reduce our competitive advantage.

Failure to respond to climate change risks may also result in reductions in investor demand.

As a business engaged in the extraction of natural resources and the manufacture of concrete products, there is a risk that the Group's operations are targeted by environmental activists. This could result in disruption at one or more of the Group's manufacturing facilities inhibiting the ability to manufacture or despatch product or receive supplies.

The impact of climate change and Government's response to this could also lead to changes to laws and regulations that could require that the Group make significant capital investments or otherwise increase its costs or could result in material liabilities.

Link to strategy

1 2

Mitigation

We recognise the importance of being a sustainable business and that climate change affects natural and economic systems, and recognise their implications in all we do.

As a business, there are a number of ISO and BES standards operated throughout our businesses which include environmental, energy, responsible sourcing and quality. These provide a consistent set of procedures which are regularly reviewed and updated to identify ways in which they can be made more effective.

The Group aims to provide visibility and assurance to our stakeholders through our disclosure in relation to sustainability (see pages 32 to 33), which is supported by continued investment to improve the sustainability of our operations and internal sustainability KPIs to track measures.

The Group has a proven record of investment in the latest systems, plant, machinery and technology and we continue to address the need for enabling conditions to address climate change concerns through the development of our Sustainability Roadmap 2025.

The Group Technical team and Group Engineering function are investing in longer-term strategic supplier partnerships in order to deliver longer-term sustainable products to our customers.

We operate proactive management of the sustainability messages associated with the Group's products. Physical security measures are in place at the Group's production facilities, together with real-time monitoring of social media to identify threats of environmental activism.

11. Anticipating the market and new product development

NEW RISK

There is a risk that the business is not able to identify opportunities in the housing market or construction sector and miss chances to maximise or exploit opportunities ahead of our competitors. As result, our product offering and the customer journey may not meet changing customer requirements.

If the business is not able to respond to changes or opportunities in the market this could result in a direct financial cost whereby revenue numbers stagnate or decline. In addition, there is the risk that the business may not be perceived as market leader and this will directly impact their reputation and ability to expand market share.

Failure to be at the forefront of innovation as the Group's markets evolve may lead to a loss in market position or customers resulting in declining revenue or margins.

A lack of new product development and failure to optimise our supply chain to support our customers may also be detrimental to the long-term achievement of the Group's strategy.

Link to strategy

2

Mitigation

Consideration of relevant market data and trends in the divisions highlights emerging risks as soon as they are identified and providing the leadership teams with the information required to make considered and fact-based decisions.

The Group has a culture of innovation through its organisational structure, including the recent appointment of two new product managers (one in each of the operating divisions).

The introduction of the Group's growth engine strategy to secure sales opportunities will enable more effective new product development.

Clay

Our market-leading Clay division offers a range of 400+ brick types as well as innovative building components and solutions.

£ million

	2019	2018
Revenue	**300.5**	293.4
Adjusted EBITDA[1]	**106.7**	96.7
Adjusted EBITDA Margin	**36%**	33%

1 2019 Adjusted EBITDA includes the benefit of £5.2 million from IFRS 16. See Note 27 of the financial statements for details.

No.1

Leading UK brick manufacturer

£300m

Revenues p.a.

400+

Product range of 400+ brick types, and "specials" and components

c.80m

Ibstock Brick owns the UK's largest tonnage of high-quality clay reserves, c.80 million tonnes

19

Extensive manufacturing network of 19 manufacturing sites strategically located across UK

Top right image:
Location: Bow River Village
Product: Ibstock Kevington Nexus
Middle image:
Location: Viking House, Lincoln
Products: Ibstock Kevington Mechslip and Ibstock Leicester Red Stock Bricks
Bottom image:
Location: The Royals, Chorley, Lancashire
Products: Ibstock Marlborough Stock, Weston Red, Leicester Red Bricks and Ibstock Kevington Kevington Special Shapes

Ibstock Brick is the leading clay brick manufacturer in the UK, with an extensive product range of over 400 brick types, and 19 manufacturing sites across the country, strategically located near to its extensive clay reserves. The division also manufactures special brick shapes and bespoke products, including arches, chimneys and cladding solutions, through its Ibstock Kevington business. The division is a significant supplier to the new build housing sector and to the RMI market through the builders' merchant channel.

Following the disposal of its US operations in late 2018, the Clay division is focused on its leading position in the UK where brick demand exceeds domestic supply capacity. Under the leadership of Kate Tinsley, who joined the Group as Managing Director of the Clay division in July 2019, Ibstock Brick is continuing to implement a range of strategic initiatives to improve performance, enhance customer service and sustain the quality and range of its production output.

Ibstock Brick has been investing in its manufacturing assets to increase production capacity against a backdrop of robust demand from the new build housing sector over recent years. The commissioning of Eclipse, our new 100 million capacity clay brick plant, was completed in 2018 and production from the factory contributed to the volume growth we saw in the year. Further testing and product development was undertaken thereafter to broaden the range of products manufactured by the plant, with a core range of six products now available to meet customer need. Demand for the high-quality soft mud bricks manufactured at Eclipse remains strong, with certain products fully "sold-out" during the year.

The enhanced maintenance programme also progressed as planned with the majority of outages completed around the middle of the year. We have started to see the expected benefits of this initiative, with production volumes from several key factories up in the second half of the year following implementation of the new maintenance regime. Production efficiency and sustainability remain important areas of focus for the Group as we embed a continuous improvement mindset and world class manufacturing standards into the business.

Demand for bricks remained robust in the first half of 2019. In the division's core market, residential new home construction, housing completions were broadly flat in 2019 at just over 190,000. Housing starts were lower year on year in the second half however, reflecting the increased political and economic uncertainty in the UK. Overall, the market consumed c.2.5 billion bricks in the year, with 2.05 billion being supplied by domestic production. The level of imports increased further year on year to c.450 million bricks. Inventory levels increased by the end of the year reflecting both increased production, and a reduction in housing starts and softer demand in the merchant sector during the second half of the year.

Results

Clay division revenue was £300 million in 2019, up 2% year on year (2018: £293 million). Adjusted EBITDA at £107 million in 2019 was 9% higher than in the prior year (2018: £97 million), and includes a £5 million positive impact from adoption of IFRS 16. Underlying performance reflects the benefit of production from the new Eclipse factory, and a price rise implemented at the beginning of the year, partly offset by higher energy and additional maintenance costs previously announced. The adjusted EBITDA margin, before IFRS 16, was slightly higher year on year, benefiting from cost discipline and modest one-off benefits in the second half of the year, to offset softer market conditions.

Jordan Fellows started at Ibstock as a Mechanical Apprentice and is now working as a Mechanical Engineer at Ibstock Atlas factory.

Concrete

Our Concrete division is a leading manufacturer of prestressed and aesthetic building products, primarily for residential construction.

£ million	2019	2018
Revenue	**108.8**	98.0
Adjusted EBITDA[1]	**21.9**	20.6
Adjusted EBITDA Margin	**20%**	21%

1 2019 Adjusted EBITDA includes the benefit of £1.8 million from IFRS 16. See Note 27 of the financial statements for details.

4
Leading brands

>£100m
Revenues p.a.

Diverse product range across:

- Roof tiles
- Fence posts
- Prestressed flooring
- Stone walling and cast stone
- Retaining walls, rail and civils products

Top right image:
Location: Pondcroft Road, Knebworth
Products: Supreme domestic fencing
Middle left image:
Product: Longley beam and block flooring
Middle right image:
Product: Anderton rail walkway
Bottom main shot:
Location: Morris Homes, Stamford
Product: Forticrete Hardrow Barley Rooftiles

Ibstock Concrete was formed in early 2019 when the Group created a division bringing its then three well-established concrete brands, Forticrete, Supreme and Anderton, which had previously operated independently, together into a single operating structure. Ibstock Concrete is now one of the largest specialist manufacturers in the fragmented market for concrete construction products in the UK. The division has a strong position in both the new build housing and RMI markets.

Ibstock Concrete is now focused on four core product areas – roofing and walling, flooring, infrastructure and other building and fencing products. While the nature of these markets differs from those of our larger Clay operations, the products remain within our core focus area of the "residential building envelope", reflect the same fundamental growth drivers and the division produces similar returns through the cycle. Under the leadership of a single Managing Director, and within the new unified Ibstock branding, the business is already seeing some early benefits from rationalisation of its manufacturing footprint and going forward it is expected to benefit from marketing synergies.

During the second half, we completed the acquisition of Longley Concrete, a specialist in flooring products. Longley, previously a family-owned business, specialises in supplying precast concrete flooring to the major housebuilders and contractors and can trace its roots back to 1947. The business has three manufacturing plants in the UK, and is a highly complementary fit with the division's existing operations, creating a leading national flooring business. Since the close of the transaction, we are taking steps to consolidate the manufacturing footprint of the combined businesses. This, combined with further investment in expanding one of our manufacturing sites in the North, will be a key driver of returns from this business in future years.

Results

Concrete division revenue was £109 million in 2019, a 11% increase year on year (2018: £98 million), with Longley Concrete contributing to this increase. Growth was primarily driven by higher sales in roofing, offset by softer infrastructure and lintel volumes.

Adjusted EBITDA at £21.9 million in 2019 was 6% higher year on year (2018: £20.6 million), including a c.£2 million benefit from the adoption of IFRS 16 and a contribution from Longley Concrete. Adjusted EBITDA margin declined modestly to 20% in 2019 (2018: 21%), reflecting the consolidation of Longley and sales mix.

Roofing and walling stone products which are largely focused on new build housing, being sold direct to developers and installers, saw robust demand during the year and delivered strong volume growth. This enabled us to further increase our market share in the roofing market, supported by our new larger format tile range.

Divisional performance also reflects a greater exposure to the broader RMI market through the builders' merchant channel, which saw softer demand trends during the second half of 2019, impacted by the heightened levels of political and economic uncertainty in the UK throughout the year, as well as indirectly by lower transactions in the secondary housing market. In our smaller infrastructure business, the transition between regulatory periods in the rail industry resulted in lower demand and volumes for our key cable trough product; however we did see some improvement towards the end of the year.

Mick Smith, Production Operative, Forticrete Cebastone factory.

I am pleased to present my first report as CFO, having joined the Board in August 2019.

Chris McLeish
Chief Financial Officer

Introduction

The Group delivered a resilient performance in 2019, achieving growth in both revenue and adjusted EBITDA[1]. With a proposed final dividend of 6.5 pence, the total ordinary dividend increased by 2%. Our strong balance sheet and cash generation also enabled us to finance a bolt-on acquisition through existing cash resources, invest in a number of key capital enhancement projects and pay a supplementary dividend to shareholders, while ending the year with leverage towards the lower end of our target range. This strong position leaves the Group well-placed to create sustainable value for shareholders over the medium term.

Longley Concrete acquisition

On 31 July 2019, the Group announced the acquisition of Longley Concrete for net consideration of £13.7 million. The business has performed in line with expectations since the acquisition and the integration process is progressing as planned. Goodwill of £3.0 million and intangible assets of £6.6 million were recognised upon acquisition.

Group results

Revenue

Group revenue from continuing operations in the year ended 31 December 2019 increased by 4.6% to £409.3 million (2018: £391.4 million).

Underlying growth reflected a solid performance within our Clay business, which performed well despite some softening of market conditions, particularly within the merchant segment, during the second half of the year. Clay divisional performance was supported by mid-single digit price increases, with volumes marginally below the prior year.

Concrete revenue was 11.1% ahead of the prior year, with good revenue growth in roof tiles driven by stronger sales volumes, partially offset by lower volumes of prestressed and infrastructure products.

Alternative performance measures

These results contain multiple alternative performance measures ("APMs"). A description of each APM is included in Note 3 to the financial statements. The Group uses APMs to aid comparability of its performance and position between periods. The APMs represent measures used by management and the Board to monitor performance against budget. Additionally, certain APMs are used by the Group in setting Director and management remuneration. The metrics are consistent, except where noted below, with those presented in our 2018 Annual Report and Accounts. Changes to our net debt to adjusted EBITDA ratio APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects, are described further in Note 3. Additionally, comparative measures have been restated to exclude the performance of our US operations, which were disposed of in November 2018.

Adjusted EBITDA

Management measures the Group's operating performance using adjusted EBITDA. For the continuing operations, adjusted EBITDA increased by 8.8% to £122.3 million in the year ended 31 December 2019 (2018: £112.4 million).

Adjusted EBITDA was positively impacted by the Group's transition to the new lease accounting standard (IFRS 16). The Group adopted the modified retrospective method of transition to the new standard and, as a result, has not restated prior period amounts. The new standard, which results in the recognition of both right-of-use assets and lease liabilities on the balance sheet, had a positive impact on adjusted EBITDA totalling £7.1 million in the year ended 31 December 2019. Excluding the benefit from the transition to IFRS 16, Group adjusted EBITDA increased by 2.5%. The adoption led to a modest reduction in profit before taxation, with operating lease costs replaced by depreciation and interest charges. Further details of the application of IFRS 16 are included in Note 1.

Growth in adjusted EBITDA was driven by increased profitability within the Clay division which delivered an increase of 10% (or 5% excluding the impact of IFRS 16). This result was supported by price increases and benefits from a full year of production from our new 100 million per annum soft mud brick facility in Leicestershire. Performance benefited from lower material costs, partially offset by higher energy and maintenance costs, as well as some cost savings and modest one-off benefits which positively impacted margins in the second half of the year.

Adjusted EBITDA (prior to the benefit of IFRS 16) in our Concrete business reduced by 2.4% to £20.1 million, modestly behind the prior year despite good growth in roofing tiles, primarily reflecting the impact of sales mix and softening in the RMI and infrastructure markets, particularly during the second half of the year.

Finance costs

Net finance costs of £2.0 million were below the level of £3.5 million in the prior year, principally reflecting reduced interest costs associated with the Group's debt, which was below the levels of average net debt in the prior year.

Profit before taxation

Group statutory profit before taxation was £82.0 million (2018: £92.5 million), with the performance in the prior year including exceptional profits on disposal of surplus property of £9.5 million. Prior to exceptional items, adjusted profit before taxation was £84.8 million (2018: £84.5 million), representing an increase of 0.4% on the prior year as growth in adjusted EBITDA was broadly offset by increased depreciation.

Taxation

The Group recorded a taxation charge of £15.5 million (2018: £16.1 million) on Group pre-tax profits of £82.0 million (2018: £92.5 million), resulting in an effective tax rate ("ETR") of 18.9% (2018: 17.4%) compared to the standard rate of UK corporation tax of 19.0%. The prior year ETR benefited from a deferred tax credit reflecting the expected timing of the unwinding of the pension scheme surplus.

Earnings per share

Group statutory basic EPS for continuing operations decreased by 13.3% to 16.3 pence in the year to 31 December 2019 (2018: 18.8 pence) principally as a result of the Group's reduced statutory profit after taxation, which was boosted in the prior year by the net £8.0 million exceptional credit arising on the Group's surplus property disposals (£9.5 million) and other exceptional items, as discussed above.

Group adjusted basic EPS[1] for continuing operations of 18.3 pence per share reduced marginally from the 18.8 pence reported last year – the movement principally reflecting the higher effective tax rate in the current year. In line with prior years, our adjusted EPS metric removes the impact of exceptional items, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts (net of the related taxation charge/credit). Adjusted EPS has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS measure is included in Note 12.

Cash flow and net debt

Cash generated from operations during 2019 is shown in Table 2, below. Adjusted free cash flow[1] decreased by £20.1 million in the year. EBITDA growth was more than offset by movements in working capital, as we built finished goods inventories within Clay during the second half, and additional capital expenditure associated with our enhancement projects, which combined with our maintenance programme, will help ensure we have a well-maintained network ready to serve our customers as market conditions improve.

Tax totalling £13.3 million was paid in the period (2018: £9.7 million). The tax payments in the prior period included the receipt of tax refunds for claims made in earlier years. Cash conversion[1] fell to 59% in the year ended 31 December 2019, primarily as a result of increased capital expenditure (including spend relating to our capital enhancement projects) and working capital as we rebuilt inventories from historically low levels.

Table 1: Earnings per share

	2019 pence	2018 pence
Statutory basic EPS – Continuing operations	**16.3**	18.8
Adjusted basic EPS – Continuing operations	**18.3**	18.8

Table 2: Cash flow (non-statutory)

	2019 £'m	2018 £'m	Change £'m
Adjusted EBITDA[1]	**122.3**	112.4	9.9
Change in working capital ("WC")	**(24.3)**	(7.3)	(17.0)
Net interest	**(2.6)**	(3.8)	1.2
Tax	**(13.3)**	(9.7)	(3.6)
Post-employment benefits	**(2.2)**	(7.0)	4.8
Other[2]	**(7.9)**	(0.1)	(7.8)
Adjusted operating cash flow	**72.0**	84.5	(12.5)
Cash conversion[1]	**59%**	75%	(16%pts)
Total capex	**(38.8)**	(31.2)	(7.6)
Adjusted free cash flow[1]	**33.2**	53.3	(20.1)

The above table excludes the cash flow relating to exceptional items in both years.

1 Alternative Performance Measures are described in Note 3 to the consolidated financial statements.

2 Other in 2019 includes operating lease payments, which were included within adjusted EBITDA in prior periods.

The net change in working capital of £24.3 million during 2019 primarily reflected increased inventories in our clay division. Net debt[1] (borrowings less cash) of £84.9 million at 31 December 2019 compares to £48.4 million at the prior year end, reflecting increased working capital and higher capital expenditure in the period.

Looking forward, we expect cash tax in 2020 to be above 2019, due to the acceleration of corporation tax payments to HMRC. We anticipate the sustaining load of capital expenditure for the existing network will be approximately £25 million per annum, falling to £20 million once current investments are completed. Consequently, for 2020 we expect total capital expenditure to be around £40 million, including the second year of spend associated with our capital enhancement projects and the start of our latest brick manufacturing development project.

The Group has a £215 million revolving credit facility with a group of five major banks. The five-year facility was entered into in March 2017 and contains interest cover and leverage covenant limits of 4x and 3x, respectively. The Group remains comfortably within both covenant requirements.

Capital allocation

In order to provide clear guidance on capital allocation, we set out updated priorities below.

1. Maintain and enhance our assets

Firstly we will invest to maintain and enhance our existing network of assets, to ensure we deliver sustainable performance over the long term.

2. Ordinary dividends

We are committed to paying ordinary dividends which are sustainable and progressive. We would expect to grow the ordinary dividend over time roughly in line with earnings, subject to retaining adequate levels of cash and earnings cover.

3. Major organic growth investments and M&A

We will invest in major organic projects which grow the business whilst maintaining our strong returns profile. We will also continue to explore opportunities for value-enhancing acquisitions that enable us to expand our product portfolio or build or strengthen a market-leadership position. All investments will be subject to strict strategic and financial criteria.

4. Capital returns

Finally, we will return surplus funds periodically to shareholders as appropriate.

Our priorities are underpinned by the fundamental commitment to maintaining a strong balance sheet and we will maintain our conservative approach to leverage. We reiterate our existing guidance on leverage with a targeted range of 0.5 to 1.5 times through the cycle, prior to the impact of IFRS 16.

Dividend

A final dividend of 6.5 pence per Ordinary Share (2018: 6.5 pence) is being recommended for payment on 8 June 2020 to shareholders on the register at the close of business on 11 May 2020. This is in addition to our interim dividend paid in September 2019 of 3.2 pence per Ordinary Share (2018: 3.0 pence), which was paid alongside a supplementary dividend of 5.0 pence per Ordinary Share (2018: 6.5 pence).

The proposed dividend reflects the Board's continued confidence in the long-term fundamentals of the business.

Pensions

At 31 December 2019, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £88.7 million (31 December 2018: surplus of £80.7 million). At the year end, the scheme had asset levels of £625.9 million (31 December 2018: £574.4 million) against scheme liabilities of £537.3 million (31 December 2018: £493.7 million). Liabilities include an amount of £1.5 million in relation to the GMP equalisation liability, which was recognised in the prior year.

The improvement in the underlying scheme balance sheet position in the year was primarily due to the higher than expected investment returns, although much of this was offset by actuarial losses from changes in market conditions underlying the financial assumptions. The fall in liabilities also reflects the significant values transferred out of the scheme by members following the closure of the scheme to future accrual.

The Group continues its ongoing work with the scheme Trustees to de-risk the pension and to match asset categories investment strategy with the associated liabilities.

Related party transactions

Related party transactions are disclosed in Note 30 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

Subsequent events

With the exception of the final dividend noted above, there have been no further events subsequent to 31 December 2019 which management believe require adjustment or disclosure.

Going concern

The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows and the long-term funding in place. As noted above, the Group holds a committed RCF of £215 million, which expires in March 2022.

Segmental reporting

Following the disposal of the Glen-Gery operations in the United States in November 2018, management has reviewed the way in which it reports segmental performance. This review considered how Ibstock might enhance the insight and transparency of the trading performance in its operations. As a result of this exercise, the Group adopted a new segmental reporting structure in the period to present the Clay and Concrete operations as its reportable segments. Prior year comparatives and the composition of the unallocated segment have been restated accordingly. Details are contained within Note 4.

Exceptional items

In line with our accounting policy for exceptional items, we have excluded certain items from our adjusted EBITDA to aid shareholders' understanding of our underlying financial performance. Infrequent events, such as the restructuring costs arising upon creation of our new divisional structure during the year and the material profits on disposal of surplus property assets in the prior year, have been treated as exceptional. Further details are set out in Note 5 of the financial statements.

Risks and uncertainties

The Board assesses and monitors the key risks impacting the business on an ongoing basis. During the year, the externally facilitated review and implementation of the Group's risk management approach was concluded. As part of this process, which enhances our risk management activities and capabilities, we have refreshed the process by which the Group evaluates and reports principal risks and uncertainties and risk descriptions have been updated accordingly.

The Group's activities expose it to a variety of risks: economic conditions, Government regulation and standards relating to the manufacture and use of building products, customer relationships and reputation, operational disruption, recruitment and retention of key personnel, input prices, product quality, financial risk management, cyber security, climate change and anticipating the market and new product development. The Group's risk management approach together with these principal risks and mitigating actions are set out on pages 34 to 39.

Viability statement

Background

The Directors have undertaken a comprehensive assessment of the Group's viability as a business – rigorously assessing its markets, the strength of its business model and the potential risks that could impact its ongoing success. This process involved carefully reviewing and assessing extensive evidence, from both internal and external sources, to evaluate the prospects for the Group over a longer-term horizon.

Assessment

Management's viability exercise, reviewed by the Audit Committee on behalf of the Board, has informed the Directors' assessment of the longer-term viability of the business, as part of the year-end review for the preparation of this Annual Report and Accounts, has robustly assessed the business model, strategy, market conditions, business planning, risks and the liquidity and solvency of the Group. The Group has leading positions within the markets in which it operates, as noted on pages 10 to 13, and its strategy (see page 16) is aimed at continuing to strengthen its position in those markets and create value for its shareholders.

The Group's operations (see pages 1 to 3) expose it to a number of risks and the Group's principal risks and uncertainties are noted on pages 34 to 39. The Directors continually review those risks and determine the appropriate controls and further actions. They have further reviewed the impact within the context of the Group's viability. The Group has exposure to interest rate risk and foreign exchange rate risk as described on page 38.

Lookout period

In determining the lookout period to assess the prospects of the Group, the Directors decided that three years was the appropriate period over which to assess longer-term viability. The nature of the building products industry is that it is particularly sensitive to the level of economic activity, which is influenced by several factors outside of the Group's control, including demographic trends, the state of the housing market, mortgage availability, mortgage interest rates and changes in household income, inflation and Government policy.

Based on the evidence available, the Directors believe that it is reasonable to expect continued growth, and consider that a three-year period provides the most appropriate horizon over which to assess viability. The Directors have also considered the financing the Group has in place, which is agreed for a period within the timeframe of the lookout period used. Refinancing is therefore considered as a significant factor in this current assessment with debt leverage compliance and the Group's cash requirements monitored on a continuous basis.

Stress testing

The Group's viability modelling has stress tested the budget and strategic plan in the following scenarios both individually and in combination. This included the Group experiencing reputational damage during a period of economic downturn.

Assumptions

In determining the viability of the Group, the Board made the following assumptions:

- The economic climate in which the Group operates remains in line with a broad consensus of external forecasts;
- There is no material change in the legal and regulatory frameworks with which the Group complies;
- There are no material changes in construction methods used in the markets in which the Group operates;
- The Group's risk mitigation strategies continue to be effective; and
- The Group's past record of successfully mitigating significant construction industry declines can be replicated.

Dividend payments

The Directors considered the resultant profitability reductions associated with each of the modelled scenarios. In each instance, the Group remained sufficiently cash generative and profitable to maintain dividend payments to shareholders.

Conclusion

In summary, the Directors reasonably expect, based on the evidence available, that the Group will continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Scenario	Link to principal risk and uncertainty (pages 34 to 39)
An economic downturn	
The impact of a severe and prolonged reduction in demand for its products on the basis of reduced house building activity or unexpected changes to Government policy resulting in reduced volume of product sold, as well as a environment of prolonged price stagnation on sales. This considered a market brick volume demand reduction of c.40%, which is in line with the most recent severe construction market downturn in 2007-09. Given the current undersupply of housing, the Directors do not anticipate a reduction in demand as a result of Brexit to exceed these levels (see page 36). The Group has mitigating strategies including the mothballing or closure of production facilities, together with negotiation of workforce Voluntary Alternative Arrangements, which could reduce operating costs whilst minimising redundancies, allowing the retention of our highly skilled workers through the recession.	– Economic conditions – Anticipates the market and new product development
Production cost increases	
A situation whereby the cost of production increases as a result of input cost rises across the Group or additional regulatory costs imposing additional expenditure within the production process, which the Group is unable to pass on to its customers. This scenario modelled an increased energy cost with gas prices increasing five-fold – levels experienced during the recent cold snap in February 2018 or during the closure of the UK's Rough storage facility in late 2017. Climate change related Government levies, which may arise, are captured by this scenario modelling. The Group operates a policy of forward purchasing its energy requirements, which is successful in locking-in the costs of production to inform price negotiations with its customers.	– Input prices – Government regulation and standards relating to the manufacture and use of building products – Climate change
Disruption in business activities	
The impact of an event, such as prolonged bad weather, a cyber-attack or other unanticipated event, which prevents production at one or more of the Group's facilities and prevents customer demand being met. Direct action by climate activists is one potential disruption within this scenario, which assesses the impact of a production facility closure at one of the Group's factories (representing c.13% of the production capacity of the Group). The Group aims to mitigate the risk associated with disruption through its business continuity plans, which operate at a factory level, together with its close ties to its supplier network and industry bodies.	– Operational disruption – Recruitment and retention of key personnel – Cyber security – Climate change
Reputational damage	
A scenario whereby the Group's reputation is damaged, as a result of customer relationship breakdown, significant employee disengagement or product quality issues, resulting in a sudden reduction in sales activity. The scenario modelled includes a reduction in revenue of 12% for a period of two years, before assuming a recovery in reputational value and associated revenue. The Group seeks to mitigate the risks of reputational damage on an ongoing basis with its internal control framework and series of independent review and audit.	– Customer relationships and reputation – Recruitment and retention of key personnel – Product quality

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 49. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the Financial Review on pages 44 to 46. In addition, Note 23 to the Group consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. The Board has concluded that the Going Concern basis of accounting for its financial statements is appropriate.

Non-financial information statement

The Group complies with the Non-financial reporting directive requirements. The table below sets out where relevant information can be found within the 2019 Annual Report and Accounts.

Requirement	Policies	Relevant 2019 ARA information
Environmental matters	Environmental and quality policies, including: – Sustainability report – Sustainable procurement policy	Environment, pages 32 to 33
Employees	People policies, including: – Health and Safety Policy Statement – Diversity and Inclusion Policy – Anti-bullying and harassment policy – Code of business conduct – Whistleblowing policy	Responsible business, page 27 Workforce, page 28
Human rights	– Modern slavery statement – Data protection policy	Responsible business, page27
Social matters	– Sustainability Working Group & Sustainability Roadmap 2025	Communities, page 31
Anti-corruption and bribery	– Anti-bribery and Corruption Policy – Competition law compliance policy – Supplier Code of Conduct	Responsible business, page 27
Business model		Business model, pages 14 to 15
Principal risks and impact of business activity		Principal risks and uncertainties (pages 34 to 39), specifically: Government regulation and standards relating to the manufacture and use of building products, page 36 Recruitment and retention of key personnel, page 37
Non-financial key performance indicators		LTIFR, page 25 NPS, page 24

Duty to promote the success of the Company

The Directors are aware of the need to have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole.

The table below indicates where the relevant information is in this Annual Report and Accounts that demonstrates how we act in accordance with the requirements of s172.

s172 matter	Further information incorporated into this statement by reference
Likely consequences of any decision in the long term	Chairman's statement pages 4 to 5 CEO's review pages 6 to 8 Our market pages 10 to 13 Our business model pages 14 to 15 Our strategy pages 16 to 23 Resources and relationships pages 26 to 33 Principal risks and uncertainties pages 34 to 39 Business review pages 40 to 43 Financial review pages 44 to 46 Viability statement page 47 Chairman's governance introduction pages 51 to 53 Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Nomination Committee report pages 59 to 61 Audit, risk and internal control pages 62 to 63 Audit Committee report pages 64 to 67 Directors' Remuneration Report pages 68 to 86
The interests of the Company's employees	Chairman's statement pages 4 to 5 CEO's review pages 6 to 8 Our business model pages 14 to 15 Our strategy pages 16 to 23 Resources and relationships page 28 Principal risks and uncertainties pages 34 to 39 Viability statement page 47 Chairman's governance introduction pages 51 to 53 Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Nomination Committee report pages 59 to 61 Directors' Remuneration Report pages 68 to 86
The need to foster the Company's business relationships with suppliers, customers and others	Chairman's statement pages 4 to 5 Our market pages 10 to 13 Our business model pages 14 to 15 Our strategy pages 16 to23 Resources and relationships pages 29 to 31 Principal risks and uncertainties pages 34 to 39 Business review pages 40 to 43 Chairman's governance introduction pages 51 to 53 Board leadership and company purpose pages 56 to 57

s172 matter	Further information incorporated into this statement by reference
Impact of the Company's operations on the community and environment	Our business model pages 14 to 15 Our strategy page 18 Resources and relationships page 31 Chairman's governance introduction page 51 Board leadership and company purpose pages 56 to 57
The Company's reputation for high standards of business conduct	Our market pages 10 to 13 Our business model pages 14 to 15 Our strategy page 18 Resources and relationships page 27 Principal risks and uncertainties pages 34 to 39 Chairman's governance Introduction page 51 Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Nomination Committee report pages 59 to 61 Audit, risk and internal control pages 62 to 63 Audit Committee report pages 64 to 67 Directors' Remuneration Report pages 68 to 86
The need to act fairly as between members of the Company	Resources and relationships page 26 Chairman's governance introduction page 51 Board leadership and company purpose pages 56 to 57 Directors' report pages 87 to 89

Strategic Report
The Strategic Report on pages 1 to 49 was reviewed and approved by the Board on 2 March 2020.

Joe Hudson
Chief Executive Officer
Chris McLeish
Chief Financial Officer

Section 172

Employee and customer engagement remained high-priority topics throughout 2019.

Go to page 57.

Ensuring we stay at the heart of building

Culture and values

We monitor the culture of Ibstock by meeting regularly with members of management and their teams and reviewing the outcomes of the employee surveys.

Go to page 56.

Aligning remuneration and strategy

The Company's remuneration strategy is designed to motivate our senior leaders to deliver strategic objectives.

Go to page 69.

Chairman's introduction

Successful companies are led by effective and entrepreneurial boards, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

An appropriate level of oversight, good communication, a focus on the management of risks, a commitment to transparency, and a culture of continuous improvement in standards and performance across the business are all necessary to ensure the achievement of good governance. It is my responsibility as Chairman to ensure my colleagues on the Board, both individually and collectively, operate effectively, and efficiently in meeting this objective.

We all take pride in the discharge of our Board duties and responsibilities in a transparent, open and honest manner. The Board is answerable to shareholders for the successful delivery of the Group's strategy and financial performance; for the efficient use of resources having regard to social, environmental and ethical matters; and for taking account of the interests of all our other stakeholders. We approve the Group's governance framework, taking into account contributions from Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. On a regular basis, we review our level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and sustainability matters. This process will continue to adapt to meet the evolving needs of Ibstock and our aim is to ensure that good governance extends beyond the Boardroom and is continually borne in mind as part of the successful delivery of the Group's strategic priorities over both the short and long term.

Implementation of and compliance with the Code

This is the first year that we have been obliged to report against the version of the UK Corporate Governance Code that was issued in July 2018 (the "Code"). Work to ensure our compliance with this new Code began at the end of 2018 and has continued all year to ensure our compliance. It is the Board's view that, throughout 2019, the Company applied the Principles and complied with the relevant provisions of the Code.

Purpose, values and culture

The Annual Report and Accounts ("Annual Report") begin by setting out the Group's purpose, vision and strategy. Changes at the senior leadership level, restructuring of the Group and new initiatives to ensure the appropriate culture to deliver have been a significant feature of Board discussion throughout the year. The Resources and relationships section of the Strategic Report (pages 26 to 33) and page 56 of the Governance Report provide further information.

Board changes

Following our announcement on 6 February 2019, Kevin Sims retired from the Board on 31 August 2019 and was succeeded as CFO on that date by Chris McLeish, who had joined the Board on 1 August 2019 as CFO Designate. Kevin's services remained available until the year end. On behalf of the Board, I would like to thank Kevin for the immense contribution he has made to Ibstock and his efforts to ensure a smooth and orderly transition.

Kate Tinsley was appointed to the Board on 1 January 2020, bringing the number of Executive Directors to three.

As announced on 27 September 2019, Robert Douglas, our Group Company Secretary, retired on 8 November 2019, and was succeeded by Nick Giles.

On behalf of the Board I would like to wish Kevin and Robert long and happy retirements.

Chairman's introduction
continued

Board statements

The Company is subject to the UK Corporate Governance Code 2018, available on the Financial Reporting Council website at www.frc.org.uk. Key statements that the Board is required to make have been set out for clarity in the following table:

Requirement	Board statement	Where to find further information
Compliance with the Code	It is the Board's view that, throughout 2019, the Company applied the Principles and complied with the relevant Provisions of the Code.	Governance Report on pages 51 through to 67.
Going concern basis	The Directors have made a Going Concern statement that can be found on page 48.	Financial review on pages 44 to 46. Strategic Report on pages 1 to 49. Principal risks and uncertainties on pages 34 to 39. Going concern in the Audit Committee Report on page 67.
Viability statement	The Directors have made a viability statement that can be found on page 47.	Principal risks and uncertainties on pages 34 to 39. Audit Committee Report on page 64.
Robust assessment of the emerging and principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group, including, in the case of principal risks, those that would threaten its business model, future performance, solvency or liquidity. The Directors also assessed, with the support of the Audit Committee, their appetite with respect to these risks and considered the systems required to mitigate and manage them.	Principal risks and uncertainties on pages 34 to 39. Assessment of principal risks in Audit, Risk and Internal Control on page 63.
Annual review of systems of risk management and internal control	During the 2019 financial year, the Board monitored the Group's systems of risk management and internal control with the support of the Audit Committee and carried out a review of their effectiveness. The conclusion was that these systems were effective.	Risk Management Framework on page 63.
Fair, balanced and understandable	The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.	"Fair, balanced and understandable review" in the Audit, Risk and Control section as well as the Audit Committee Report on page 67.
Board s172(1) statement	The Board understands the views of the Company's other key stakeholders and has described how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making.	The Board's s172 (1) statement is on page 49 of the Strategic Report.

Application of and compliance with the Code

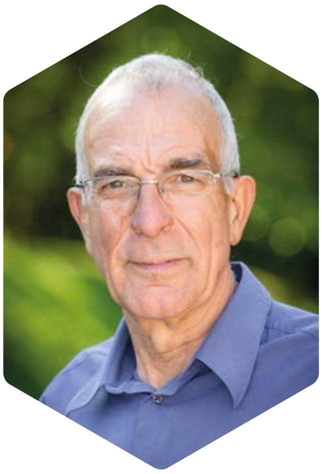
During the year Ibstock applied the principles and was fully compliant with the provisions of the Code. The table below provides references to those parts of the Annual Report that demonstrate where we applied the main principles of the Code as follows:

Summary of principles

	Where to find further information
Board leadership and company purpose	
Principle A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Strategic Report pages 1 to 49 Governance pages 50 to 89 Directors' Remuneration Report pages 68 to 86
Principle B. The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Strategic Report pages 1 to 49 Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Directors' Remuneration Report pages 68 to 86
Principle C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Resources and relationships pages 26 to 33 Principal risks and uncertainties pages 34 to 39 Section 172 Statement page 49 Audit, Risk and Internal Control pages 62 to 63 Audit Committee Report pages 64 to 67
Principle D. In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.	Resources and Relationships pages 26 to 33 Section 172 Statement page 49 Board leadership and company purpose pages 56 to 57
Principle E. The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Resources and relationships pages 26 to 33 Section 172 Statement page 49 Board leadership and company purpose pages 56 to 57 Directors' Remuneration Report pages 68 to 86

	Where to find further information
Division of responsibilities	
Principle F. The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58
Principle G. The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	Division of responsibilities pages 58 Board biographies pages 54 to 55
Principle H. Non-executive directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Audit Committee Report pages 64 to 67
Principle I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Resources and relationships pages 26 to 33 Board leadership and company purpose pages 56 to 57 Division of responsibilities page 58 Audit, Risk and Internal Control pages 62 to 63 Audit Committee Report pages 64 to 67 Directors' Remuneration Report pages 68 to 86
Composition, succession and evaluation	
Principle J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination Committee Report pages 59 to 61
Principle K. The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.	Board biographies pages 54 to 55
Principle L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Nomination Committee Report pages 59 to 61
Audit, risk and internal control	
Principle M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit, Risk and Internal Control pages 62 to 63 Audit Committee Report pages 64 to 67
Principle N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic Report pages 1 to 49 Audit, Risk and Internal Control pages 62 to 63 Audit Committee Report pages 64 to 67 Financial Statements pages 96 to 101 and 134 to135
Principle O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Principal risks and uncertainties pages 34 to 39 Viability statement page 47 Audit, Risk and Internal Control pages 62 to 63 Audit Committee Report pages 64 to 67 Notes to the Financial Statements pages 102 to 133 and 136 to 139
Remuneration	
Principle P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Strategic Report pages 1 to 49 Board leadership and company purpose pages 56 to 57 Directors' Remuneration Report pages 68 to 86
Principle Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Directors' Remuneration Report pages 68 to 86
Principle R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Directors' Remuneration Report pages 68 to 86

Board of Directors



Jonathan Nicholls
BA (Hons), ACA, FCT
Chairman
Age 62

Date appointed to the Board:
22 September 2015
(Chairman since 24 May 2018)
Tenure on Board: 4 years 5 months
Committee memberships:
Chair of the Nomination Committee
Remuneration Committee
Independent: On appointment

Relevant skills and experience:

- Degree in Economics and Accounting awarded by Manchester University
- Member of the Institute of Chartered Accountants in England and Wales, having qualified with KPMG in 1982
- Fellowship member of the Association of Corporate Treasurers
- Over 20 years' experience at the senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development
- Significant experience as CFO and other senior finance roles in public companies

Current external appointments:

- Chairman of Shaftesbury PLC (appointed September 2016)

Past board roles include:

- Non-Executive Director and Chairman of the Audit Committee at SIG plc
- Senior Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of DS Smith plc
- Senior Independent Director and Chair of Audit Committee at Great Portland Estates plc
- Chief Financial Officer of Hanson plc
- Chief Financial Officer of Old Mutual plc

Joe Hudson
BA (Hons), FCIPD
Chief Executive Officer
Age 50

Date appointed to the Board:
2 January 2018
(CEO since 4 April 2018)
Tenure on Board: 2 years 2 months
Committee memberships: None
Independent: No

Relevant skills and experience:

- BA Hons Degree in Education awarded by the University of Exeter
- General Management programmes at INSEAD and London Business School
- Fellow of the Chartered Institute of Personnel and Development
- Varied international career in general management, operations and strategic human resources in Europe, North America and Africa
- Operational line management experience in cement, plasterboard, concrete products and construction materials
- Experience of large scale business combinations

Current external appointments:

- None

Past board roles include:

- Managing Director, Cement & Concrete Products, Aggregate Industries UK
- Chief Executive Officer, Lafarge Africa plc

Christopher McLeish
BSc ACA
Chief Financial Officer
Age 49

Date appointed to the Board:
1 August 2019
Tenure on Board: 7 months
Committee memberships: None
Independent: No

Relevant skills and experience:

- Member of the Institute of Chartered Accountants in England and Wales
- Wealth of experience in key finance leadership roles with a broad background in manufacturing, media and technology sectors
- Extensive experience of Group finance and controls, as well as global shared services operations
- Demonstrable success in a range of senior operational, corporate and financial communication roles

Current external appointments:

- None

Past board roles include:

- Finance Director, Tate & Lyle North American Sugars

Tracey Graham
Senior Independent Director
Age 54

Date appointed to the Board:
3 February 2016
Tenure on Board: 4 years 1 month
Committee memberships:
Chair of the Remuneration Committee
Audit Committee
Nomination Committee
Independent: Yes

Relevant skills and experience:

- Experience of MBO and M&A activity
- Led the management buyout of Talaris Limited from De La Rue. Proven track record of creating successful growth in a wide variety of businesses
- Significant experience gained in senior positions in banking and insurance with HSBC and AXA Insurance

Current external appointments:

- Chair of the Remuneration Committee and member of the Risks and Nomination Committee of Royal London Group (appointed March 2013)
- Non-Executive Director and member of the Audit, and Chair of the Remuneration and Nomination Committees of discoverIE Group plc (appointed November 2015)
- Non-Executive Director and member of the Remuneration, Nomination and Risk Committees of Link Scheme Limited (appointed January 2016)
- Member of the City of London Court of Common Council (appointed 2019)

Past board roles include:

- Non-Executive Director of Dialight plc
- Non-Executive Director of RPS plc
- Chief Executive of Talaris Limited

Justin Read
MA, MBA
Non-Executive Director
Age 58

Date appointed to the Board:
1 January 2017
Tenure on Board: 3 years 2 months
Committee memberships:
Chair of the Audit Committee
Remuneration Committee
Nomination Committee
Independent: Yes

Relevant skills and experience:

- Educated at Oxford University and holds an MBA from INSEAD
- 9 years as a CFO of FTSE-listed companies
- Financial and management experience working across a number of different industry sectors, including real estate, support services, building materials and banking
- Experience of managing businesses across multiple jurisdictions
- Experience of strategy, M&A, business development, investor relations and capital raising

Current external appointments:

- Chair of the Remuneration Committee and member of the Audit and Nomination Committees of Grainger PLC (appointed February 2017)
- Chairman of SEGRO Pension Scheme Trustees Limited (appointed March 2017)

Past board roles include:

- Non-Executive Director of Carillion plc (for a six-week period from 1 December 2017)
- Group Finance Director of Segro plc
- Group Finance Director at Speedy Hire plc

Louis Eperjesi
Non-Executive Director
Age 57

Date appointed to the Board:
1 June 2018
Tenure on Board: 1 year 9 months
Committee memberships:
Remuneration Committee
Audit Committee
Nomination Committee
Independent: Yes

Relevant skills and experience:

- Experience of manufacture and supply of building products in international markets
- 6 years' experience in UK roofing or brick markets
- Experience of strategy development, change management programmes and M&A activity
- Strong commercial, marketing and product background
- 9 years' experience in UK capital markets

Current external appointments:

- Trustee of The Cheltenham Trust
- Chairman of CMS Windows Ltd

Past board roles include:

- Executive Director of Kingspan Group plc
- Chief Executive Officer of Tyman plc

Claire Hawkings
BSc (Hons), MBA
Non-Executive Director
Age 50

Date appointed to the Board:
1 September 2018
Tenure on Board: 1 year 6 months
Committee memberships:
Remuneration Committee
Audit Committee
Nomination Committee
Independent: Yes

Relevant skills and experience:

- Degree in Environmental Studies awarded by Northumbria University
- MBA from Imperial College Management School
- Experience of the development and delivery of organisational strategies including business process transformation, leadership succession, and diversity and inclusion
- Experience of developing and implementing performance management processes
- Over 25 years' experience in the energy sector in a variety of international commercial, environmental, business development and general management leadership positions
- Experience of M&A, portfolio management and leading complex commercial transactions

Current external appointments:

- None

Past board roles include:

- Director, Tullow Oil Netherlands
- Director, Tullow Oil Bangladesh
- Director, Gujarat Gas Co. Ltd.
- Director, British Gas India Pvt. Ltd
- Executive Vice President, Organisation Strategy & Company Performance of Tullow Oil plc

Kate Tinsley
BA (Hons)
Managing Director – Ibstock Clay
Age 43

Date appointed to the Board:
1 January 2020
Tenure on Board: 2 months
Committee memberships: None
Independent: No

Relevant skills and experience:

- Degree in Economics from Sheffield University
- Experience of Commercial Finance and strategic roles in the construction and materials sector.

Current external appointments:

- Non-Executive Director and member of Remuneration and Group Audit Committees of the Football Association (appointed October 2017)

Nick Giles
MA FCG
Company Secretary
Age 48

Date of appointment
8 November 2019
Tenure as Company Secretary:
4 months
Committee memberships: None
Independent: N/A

Relevant skills and experience:

- Undergraduate Degree in Business Studies and Master's Degree awarded by the University of Portsmouth
- Fellow of the Chartered Governance Institute since 2008
- Nearly 20 years' experience gained in governance and compliance roles at FTSE listed companies operating in a range of different sectors including publishing, FMCG, engineering, lighting and plastic products.

Current external appointments:

- None

Board Leadership and Company Purpose

Board responsibilities and procedures

The Board is responsible for the effective leadership and long-term success of the Group including the monitoring of operating and financial performance. As part of its decision-making processes it takes account of the likely consequences of any decision in the long term, the interests of the Group's employees, relationships with suppliers and customers, the desirability of maintaining a reputation for high standards of business conduct, the impact of the Group's operations on the community and the environment and the need to act fairly as between members of the Company. The section 172 statement on page 49 provides further information.

The following is a high-level summary of some of the principal decisions that are specifically reserved for the Board. The full list can be found on the corporate website at https://www.ibstockplc.co.uk/investor-relations/corporate-governance:

- Approval of long-term objectives, values, standards, commercial strategy and annual budgets;
- Amendments to the Group's capital, legal and corporate structure;
- Approval of key financial and shareholder reports;
- Approval of the dividend policy and declaration of any dividends;
- Approval of accounting and treasury policies, the Group's internal control systems and risk management strategy and Group tax strategy;
- Approval of significant acquisitions and disposals and material capital investments;
- Approval of significant borrowing facilities and other material contracts and transactions; and
- Approval of the Group's health and safety and sustainability and environmental policies.

Matters not specifically reserved for the Board, including the day to day management of the Group, may be delegated to the Executive Directors.

Board Committees

The Board has established Audit, Nomination and Remuneration Committees, each with formally delegated duties and responsibilities set out in written terms of reference. In addition, the Board has established a Disclosure Committee, the role of which is to oversee the Company's compliance with its disclosure obligations. Members of the Disclosure Committee are the Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary and Investor Relations Director. The terms of reference for the Board and its principal Committees are available on the Company's website.

Details of the activities of the Remuneration Committee are set out on pages 68 to 86. Details of the Board's other principal Committees and their activities during the year are set out in the separate Committee Reports on pages 59 to 61 and on pages 64 to 67. The Chair of each Committee reports the outcome of the meetings to the Board. Details of Committee memberships are included in the Directors' biographies on pages 54 to 55.

The Board held eight scheduled meetings during the year and expects to meet approximately seven times each year going forward. The number of scheduled meetings of the Board and its Committees and the attendance by the Directors at meetings that they were eligible to attend during the year is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Jonathan Nicholls	8/8	N/A	4/4	3/3
Tracey Graham	8/8	4/4	4/4	3/3
Justin Read	8/8	4/4	4/4	3/3
Louis Eperjesi	8/8	4/4	4/4	3/3
Claire Hawkings	8/8	4/4	4/4	3/3
Joe Hudson	8/8	N/A	N/A	N/A
Chris McLeish[1]	3/3	N/A	N/A	N/A
Kevin Sims[2]	5/5	N/A	N/A	N/A

1 Chris McLeish was appointed to the Board on 1 August 2019 and became CFO on 31 August 2019.
2 Kevin Sims stepped down from the Board on 31 August 2019.

The Board has a structured agenda for its meetings throughout the year as shown in the following table:

2019	Q1	Q2	Q3	Q4
CEO commentary on business activities and priorities	●	●	●	●
CFO financial review of business performance	●	●	●	●
Business unit and off-site visits and presentations covering financial results and operational activities	●		●	
Health and safety update	●	●	●	●
Review and approval of preliminary full-year results and the annual report and accounts	●			
Full-year dividend approval	●			
Investor communications – feedback on full-year and half-year results road shows		●		●
Preparation for Board evaluation			●	
Review and approval of half-year results			●	
Approval of Interim and supplementary dividend			●	
Board evaluation output and recommendations				●
2020 Budget approval				●
Board briefings from advisors on developments in corporate governance and corporate legal matters				●
Whistleblowing biannual report		●		●
Review of Board activities with shareholders				●
Meeting of the Non-Executive Directors without the Executive Directors present	●	●	●	●
Meeting of the Non-Executive Directors without the Chairman present				●

Executive Leadership Team

The Executive Leadership Team ("ELT") meets around six times a year to monitor operational matters and to provide input to the Group's strategic debate and implementation. The Board, as part of its succession planning arrangements, meets with members of the ELT at different business locations and off-site during the course of the year.

Culture

The Board assesses and monitors the Group's culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the Company's purpose, values and strategy, it will seek assurance that management has taken appropriate corrective action. Regular updates provided by the CEO at scheduled Board meetings and on a more informal basis have been a significant element of the Company's drive to clarify and affirm its people focussed, accountable culture of performance that will provide the basis of Ibstock's achievement of its strategy. New initiatives including the Sustainability Board and the Listening Post were considered and debated at Board meetings and include direct participation from both the Executive and Non-Executive parts of the Board in their operation and reporting.

As previously discussed in the CEO review and the Resources and relationships section, 2019 saw the Group launch its Sustainability Roadmap which identified areas of focus that were linked to environmental and social impact across all the Group's stakeholders. Sustainability is now a regular Board agenda item that forms part of the CEO's report and the Sustainability Board will review Ibstock's progress against targets, review risks and opportunities and keep track of all engagement with those stakeholders identified as having a specific interest in sustainability.

Engagement with stakeholders

The Board has a good understanding of who are considered to be its key stakeholders. This is based on regular engagement with these groups over a number of years. Board minutes include reference to the Directors' obligations under the Companies Act and certain papers include a reminder of key matters to which they should have regard in making their decisions. Information concerning engagement with shareholders and the workforce can be found below whilst the Resources and relationships section on pages 26 to 33 includes information concerning the Group's other stakeholders. The Board keeps engagement mechanisms under review to ensure that they remain effective.

Engagement with shareholders

In addition to formal general meetings, the Chairman seeks regular engagement with the Company's major shareholders in order to understand their views on governance and performance against the strategy. The Chairman recently introduced a programme of events intended to achieve regular engagement with major shareholders and held meetings, as part of this programme during November 2019.

The Executive Directors conduct a round of meetings with analysts and investors following announcement of the Full-Year and Half-Year results. The Company's brokers prepare a report that provides anonymised objective feedback received from investors following those meetings. The report is shared with the Non-Executive Directors and the Executive Directors, who act upon the feedback as necessary. The Executive Directors also provide feedback to the Non-Executive Directors on their conversations with investors. This process is one of the ways in which Non-Executive Directors are provided with an opportunity to develop an understanding of the views of the major shareholders.

The Chairman ensures that the Board as a whole has a clear understanding of the views of shareholders. There is a clear flow of communication between it and all shareholders, particularly with regard to business developments and financial results. The Board aims to communicate on a regular basis and at present the Company utilises news releases, investor presentations and Company publications, and will expand communication channels as appropriate.

The Chairman and Remuneration Committee Chair sought engagement with shareholders on significant matters related to their areas of responsibility. For example, Tracey Graham offered the opportunity to a number of major shareholders to meet with her to discuss the revised Remuneration Policy that was approved by shareholders at the 2019 AGM.

Tracey Graham is the Senior Independent Director (the "SID") and is available to shareholders throughout the year if they have concerns that contact through the normal channels of the Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. In 2019, the SID received updates from the Executive Directors, who met with major shareholders following announcement of the Full-Year and Half-Year results, on the issues and concerns raised at those meetings. Tracey attended the Annual General Meeting ("AGM") on 23 May 2019, where she met shareholders and answered their questions. Shareholders have the opportunity to raise any issues they wish with the Chairman or the SID.

All shareholders are invited to attend the Company's AGM, at which they will have the opportunity to meet and put questions to the Board. Details of the resolutions to be proposed at the AGM to be held on 21 May 2020 at 11:00 a.m. at 54 Hatton Garden, London EC1N 8HN can be found in the Notice of Meeting (the "Notice"). The Notice, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report. This document will also be available on our website.

Results of voting at the AGM will be announced to the London Stock Exchange and will be published on the Company's website at www.ibstockplc.co.uk/investor-relations.

Workforce engagement and business relationships

The Board keeps engagement mechanisms with the workforce under review so that they remain effective. General information on the range of methods used to engage can be found in the Resources and relationships section on pages 26 to 33.

During its discussions to address the requirements of provision 5 of the Code, the Board agreed that the most appropriate arrangement for the Group was to establish Listening Post; an employee forum comprised of the CEO, a Non-Executive Director, members of the ELT including the Group HR Director and nominated employee champions elected from all parts of the business.

This approach was considered to be an alternative to the suggested methods set out in the Code although in reality it operates as a combination of being both a workforce advisory panel with Non-Executive Director representation. This approach was felt to be the most appropriate time but will remain under review.

Further information regarding Listening Post can be found in the Resources and relationships section (page 28) and Directors' Remuneration Report on page 77.

The Directors' Remuneration Report on page 75 includes an explanation of the Company's approach to investing in and rewarding its workforce.

As part of its annual calendar the Board will always try to hold at least two Board meetings either offsite or at one of the Group's business locations. This enables the Directors to gain a deeper understanding of local operations as well as providing senior managers from different parts of the business with the opportunity to attend meetings in order to present specific items of business meet the Directors on a more informal basis. These occasions provide an ideal opportunity for all members of the workforce to provide feedback on both local and Group issues or concerns.

All business relationships are shaped by an understanding and adherence to our Code of Business Conduct and related policies. These ensure compliance and good business practice between all parties and support our strategy and values as an organisation.

Whistleblowing

The Board is informed of any incidents under its whistleblowing policy. This policy sets out the procedures for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters including danger to the health and safety of any individual and improper conduct. The Board examined the small number of incidents that were notified by the external service provider, direct anonymous communications and internal audit and concurred with the actions taken by management. There were no concerns notified to the Group that required the further attention of the Board during the period under review and up to the date of this report. The fact that employees have used the whistleblowing hotline provides assurance to the Board that the system is working and that our colleagues are comfortable with the process.

The Board has delegated to the Audit Committee the review of the Group's procedures for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Committee receives regular updates at each meeting and discusses any incidents brought to its attention. The Board considers a half-yearly summary of all incidents raised through the whistleblowing line.

The Group is committed to a zero-tolerance position with regard to bribery. Anti-bribery guidance and training is provided to employees, as appropriate, applying what the Group has determined to be a risk-based and proportionate approach. The Group maintains a record of all employees who have received this guidance and training.

Conflicts of interest

A register of conflicts of interest is maintained by the Company Secretary and considered by the Board on a half-yearly basis. The Company's Articles of Association, which are in line with the Companies Act 2006, allow the Board to authorise potential conflicts of interest that may arise and to impose limits or conditions, as appropriate, when giving any such authorisation. During the year, and as at the date of this report, no conflicts were reported to the Board.

Division of Responsibilities

Details of the responsibilities of all elements of the Group's governance arrangements including those concerning the Chairman and CEO can be found on the Company's corporate website.

Chairman and Chief Executive

The Chairman was independent upon appointment. The Board has clearly defined the roles of the Chairman and CEO and, as required by the Code, the roles are not being exercised by the same individual. The Chairman is responsible for the leadership and effectiveness of the Board whilst the Chief Executive is responsible for leading the day to day management of the Group within the strategy set by the Board.

The Chairman sets the agenda for Board meetings, manages the meetings (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during those meetings.

Non-Executive Directors

The Board comprises an appropriate combination of Executive and independent Non-Executive Directors. Accordingly, no one individual or small group of individuals dominates the Board's decision-making processes. As at the year end the Board comprised a Non-Executive Chairman, four independent Non-Executive Directors and two Executive Directors. Kate Tinsley was appointed to the Board as an additional Executive Director with effect from 1 January 2020. As at the year end and the date of this report Independent Non-Executive Directors comprise 28.5% and 37.5% of the Board respectively, excluding the Chairman. The Board regards Tracey Graham, Justin Read, Louis Eperjesi and Claire Hawkings as independent for the purposes of the Code and that they possess strong independent character and judgement and bring a wide range of business experience both in areas related to and areas complementary to the activities of the Group.

Non-Executive Directors have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account as and when required and they scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives. Details of the Executive Directors' bonus arrangements, including achievement of their personal objectives, are included in the Directors' Remuneration Report on pages 68 to 86.

In making recommendations to the Board on Non-Executive Director appointments, the Nomination Committee specifically considers the expected time commitment of the proposed Non-Executive Director and their existing commitments. Agreement of the Board is required before a Director may accept any additional commitments to ensure possible conflicts of interest are identified at an early stage and that they will continue to have sufficient time available to devote to the Company. Any other potential conflicts of interest are also considered at each Board meeting.

We reviewed the independence of Non-Executive Directors and arrived at the conclusion that all Non-Executive Directors, as named on pages 54 and 55, with the exception of the Chairman (who was independent on his appointment to that role, continue to be regarded as independent).

In addition, the Nomination Committee concluded, through discussions with the Chairman and the Board and the Committee evaluation process, that the Non-Executive Directors had committed sufficient time to fulfil their duties and that their performance continued to be effective.

During the year the Chairman held individual and collective meetings with the Non-Executive Directors without the Executive Directors present.

Senior Independent Director

The SID provides advice to the Chairman and serves as an intermediary for the other Directors and shareholders. The Non-Executive Directors meet without the Chair present at least annually to appraise the chair's performance, and on other occasions as necessary

As part of the annual evaluation of the Board, the SID met with the Non-Executive Directors, in the absence of the Chairman, to appraise the Chairman's performance, taking into account the views of Executive Directors. The review concluded that the Chairman's performance continued to be effective and that he demonstrates commitment to the role. The SID informed the Chairman of the review's findings.

External directorships

The Board is content with the level of external directorships held by the Chairman and the independent Non-Executive Directors, as these do not impact on the time that any Director devotes to the Company. Furthermore, the Board believes that this external experience serves to enhance the capability of the Board.

Information and support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information. The Directors of all Group companies, as well as the Board, have access to the advice and services of the Company Secretary. Independent external legal and professional advice can also be taken when necessary to do so. Furthermore, each Committee of the Board has access to sufficient and tailored resources to carry out its duties. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

The Board, supported by the Company Secretary, ensures that it has the appropriate policies, processes, information, time and resources required in order to function effectively and efficiently.

Nomination Committee Report

Completed actions arising from the 2018 Board evaluation.

Successfully recruited and completed induction programme for Chris McLeish.

Dear Shareholder,
I am pleased to present my report, as Chair of the Nomination Committee (the "Committee"), to you for the year ended 31 December 2019.

The Committee leads the process for appointments, ensures plans are in place for orderly succession to both the Board and senior management positions, and oversees the development of a diverse pipeline for succession. Membership comprises the independent Non-Executive Directors with support from the Group's Company Secretary. Details of meeting attendance can be found on page 56.

Committee calendar and agenda discussion items
During the year under review the Committee met formally on three occasions to consider the following items:

2019	Q1	Q2	Q4
Recommended the appointment of Chris McLeish as CFO following completion of the processes described on page 60	●		
Recommended the appointment of Kate Tinsley			●
Reviewed Directors' training and development needs		●	
Reviewed Committee's Terms of Reference		●	
Reviewed size, structure and composition of the Board		●	
Reviewed time commitment required from Non-Executive Directors		●	
Reviewed the independence of Non-Executive Directors		●	
Annual review of the Committee's effectiveness		●	
Reviewed succession planning arrangements and organisational changes		●	

Key areas of focus in 2019
– Successful CFO succession with the appointment of Chris McLeish.
– Recommended the promotion of Kate Tinsley to the Board.
– Reviewed succession planning for the Board and the ELT.
– Reviewed Board training requirements.
– Considered time commitment required of the Non-Executive Directors.
– Completed actions from the 2018 Board evaluation.
– Conducted an internally facilitated evaluation of the Board and its Committees.

Areas of focus in 2020
– Continued development and monitoring of succession plans for both the Board and senior management.
– Follow-up actions arising from the 2019 Board evaluation process.
– Further development of the Diversity Policy.
– Further development of the Senior Leadership Team.

Responsibilities
The key responsibilities of the Committee are:

– Develop and maintain a formal, rigorous and transparent procedure for making recommendations to the Board on appointments and on the structure, size and composition of the Board;
– Ensure that planning is in place for orderly succession to both the Board and senior management positions;
– Oversee the development of a diverse pipeline of talent for succession;
– Evaluate the balance of skills, diversity, knowledge and experience of the Board;
– Prepare a description of the role and capabilities required for a particular appointment and lead the recruitment process;
– Identify and nominate, for the approval of the Board, candidates to fill Board and senior management vacancies, ensuring that candidates have the necessary skills, knowledge and experience to effectively discharge their responsibilities;
– Review the time commitment required from Non-Executive Directors and evaluate the membership and performance of the Board and its Committees; and
– Recommend, where appropriate, the re-election of Directors.

Nomination Committee Report
continued

The composition of the Board

The Committee is responsible for regularly reviewing the composition of the Board. The Board and its Committees benefit from a combination of skills, experience and knowledge drawn from across several industries and functional roles.

Succession planning

The composition of the Board is constantly under review with the aim of ensuring that it has the depth and breadth of skills to discharge its responsibilities effectively. The Committee, through its oversight of succession planning, applies a similar approach to the layer of management that sits immediately below the Board.

The Committee aims to ensure that the Board and senior management are well balanced and appropriate for the needs of the business and the achievement of the Company's strategy. Furthermore, the Committee ensures that the Board includes Non-Executive Directors who are appropriately experienced and are independent of character and judgement.

As part of the succession planning process, the Committee takes account of the balance of skills, knowledge, experience and diversity. Additional information can be found in the following two sections as well as the Resources and relationships part of the Strategic Report on page 28.

The Committee conducted an in-depth review of the Group's succession plan for the Board and also considered the talent available below the Board level. The conclusion drawn from that review was that the Company has robust succession planning arrangements in place.

Appointments to the Board

The Committee leads the process for the appointment of new Directors. Appointments are made on merit and measured against objective criteria set with regard to the benefits of a diversified Board. The process is a formal, rigorous and transparent procedure. Effective succession plans are maintained for Board and senior management.

As part of the Group's long-term succession planning arrangements, Chris McLeish was appointed CFO during the year following the announcement of Kevin Sims intention to retire from the Company and the Board. Chris' appointment followed a rigorous and detailed process conducted by the Committee, assisted by Russell Reynolds Associates ("RRA"). Working closely with the Committee, RRA prepared a long list of candidates suitably qualified to undertake the role, taking into account our policy on diversity. A shortlist of suitable candidates was compiled, based on relevant industry and executive experience. The Committee, together with the Executive Directors, then met with each of the candidates. Following those meetings, we were able to formulate our recommendation to the Board, which culminated in the appointment of Chris McLeish as a Director on 1 August 2019, followed by confirmation of his appointment as CFO on 31 August 2019. RRA have no other connection to the Company.

The appointment of Kate Tinsley as an additional Executive Director was part of the Group's succession planning arrangements and was initially considered around the time that Kate joined the business. Kate is the Managing Director of Ibstock Clay, a key role in the Group's strategy to drive the business forward strategically and provided a wealth of commercial and managerial experience from the sector making her a good addition to the Board. No external search consultancy was engaged as part of Kate's appointment.

There are currently no other planned changes in composition of the Board.

Diversity

The Board has a strong balance of skills, knowledge, experience, and diversity of cognitive type, educational and professional background, age and gender. As at the date of this report 37.5% of the Board and the ELT are female. Additional information including the gender balance of the ELT and their direct reports can be found in the Resources and relationships section on page 26 of the Strategic Report.

The Board acknowledges the aims, objectives and recommendations outlined in the Hampton-Alexander Review and is aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. The Board also acknowledges and supports the aims, objectives and recommendations of the Parker Review on ethnic diversity and the emphasis in the Disclosure Guidance and Transparency Rules on disclosure around diversity with regard to aspects such as age, gender and educational and professional background.

Ibstock operates a Diversity and Inclusion Policy which is applicable to the whole organisation and which informs the Board's approach in this area. We are working hard with our recruitment partners to ensure that we are able to attract high-quality candidates from a wide range of backgrounds, strengths and abilities. We recognise that achievement of our strategic objectives is reliant on the recruitment and retention of a diverse and engaged workforce and efforts in this area will continue.

The Board does not consider that it is in the best interests of the Group, or its shareholders, to set prescriptive diversity targets for Board or senior management level appointments. We will continue to make appointments based on merit, against objective criteria to ensure we appoint the best individual for each role. The recent appointment of Kate Tinsley as a third Executive Director demonstrates our ongoing commitment to increasing the level of gender diversity with the organisation.

Re-election of Directors

All Directors will retire and submit themselves for election or re-election, annually, by shareholders at the AGM. Specific reasons why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success are set out in the Notice.

Consideration has been given to the length of service of the Board as a whole and its membership is regularly refreshed.

Board evaluation

During 2019, the Board undertook an evaluation of its own performance, and that of its Committees and the individual Directors. When conducting its annual evaluation, the Board considers its composition, diversity and how effectively members work together to achieve the Group's objectives. The Chairman conducts individual evaluations of the Non-Executive Directors to determine whether they have made an effective contribution to the Board.

The 2019 evaluation took the form of an internally facilitated formal and rigorous evaluation of the performance of the Board and its principal Committees, supported by the Company Secretary.

To enable this, a questionnaire was completed by all members of the Board and the Company Secretary which included questions around the Group's explored strategy, effectiveness and accountability. The process provided the Board with the opportunity to make specific comments in response to a series of "open" questions. The results were collated by the Company Secretary and feedback was provided by the Chairman at the December 2019 meeting of the Board.

The SID met with the Non-Executive Directors, in the absence of the Chairman, to appraise the Chairman's performance, taking into account the views of Executive Directors. The review concluded that the Chairman's performance continued to be effective and that he demonstrates commitment to the role. The SID informed the Chairman of the review's findings.

The Chairman met with all Non-Executive Directors individually to conduct an appraisal of their performance. The reviews concluded that the Non-Executive Directors continued to be effective and had demonstrated commitment to their roles.

Evaluation outcomes and actions

The 2019 evaluation concluded that the Board and its Committees continued to provide effective leadership and exert the required levels of governance and control and that each Director continued to contribute effectively and demonstrate commitment to his or her role. Significant changes at Board level that had characterised the prior year had now had sufficient time to fully settle down and the Board was working in a unified manner towards common goals. In addition all Non-Executive Directors were committed to the Company and their respective responsibilities. The appointment of an additional Executive Director would strengthen this balance as the Company moved through 2020. The Board will continue to review its procedures, effectiveness and development in the year ahead.

Development

All new Directors receive a tailored induction programme upon joining the Board. Training is made available to members of the Board in accordance with their requirements. For further information on the induction of Chris McLeish (see column opposite). Due to the circumstance and timing of her appointment, a full report regarding the induction of Kate Tinsley will be included in next year's Annual Report.

Directors may, at the Company's expense, take independent professional advice and are encouraged to continually update their professional skills and knowledge of the business.

Training

We reviewed the training requirements of the Board and agreed upon a suitable regime for training and information flows to enable the Directors to satisfy their training and development needs. Information provided to the Board included updates on developments on Corporate Governance, the regulatory framework and accounting matters. The Chairman and the Company Secretary continue to identify broader areas of training for the Board as a whole and the Chairman will discuss and agree the training requirements with individual Directors as and when required.

Induction of new directors

Chris McLeish was appointed a Director, and CFO Designate, on 1 August 2019 and became CFO on 31 August 2019. The Company prepared a tailored induction programme which took place during the first few months following his appointment to the Board. During his induction Chris received detailed briefings from the outgoing CFO and was introduced to a range of analysts and major investors and also received briefings from the Company's brokers and legal advisors. Chris received comprehensive information on the operation of the Board, its processes and governance. Meetings were organised with the Group's business unit leaders and all other members of the Senior Leadership Team. Visits were arranged to all of the Group's principal factories and operations.

Jonathan Nicholls
Chair of the Nomination Committee
2 March 2020

Audit, risk and internal control

Financial and business reporting
The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 1 to 49, provides information about the Group's performance, business model, strategy and the risks and uncertainties relating to the Group's future prospects.

Risk management and internal control
The Board sets the Group's risk appetite and, via the Audit Committee (Committee), monitors and annually reviews the effectiveness of the Group's systems of risk management and internal control.

The Board ensures that the necessary resources are in place for the Company to meet its objectives and to measure performance against them. The Board has established a framework of prudent and effective controls, which enable risk to be assessed and managed. For further discussion, see pages 62 and 63.

Audit Committee and auditors
The Board has delegated a number of responsibilities to the Committee. Information on the Committee's composition, together with the principal activities carried out by the Committee during the year, are included in the Committee Report on pages 64 to 67.

Fair, balanced and understandable – a matter for the entire Board
The Board considered whether the 2019 Annual Report has fair, balanced and understandable, and provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Board, advised and assisted by the Committee, took into account the following:

- input from the CEO and CFO on the overall messages and tone of the Annual Report;
- individual sections of the Annual Report were drafted by appropriate senior management with regular review to ensure consistency across the entire document;
- detailed reviews of appropriate draft sections of the Annual Report were undertaken by the Executive Directors;
- an advanced draft of the Annual Report was reviewed by the Committee and the auditors on a timely basis to allow sufficient consideration and was discussed with the CFO and senior management prior to consideration by the Board; and
- the Committee, at its February 2020 meeting, considered a checklist of areas that the Board should take into account in considering the fairness, consistency and balance of the final draft of the Annual Report, including whether the Board considers that there were any omissions in information.

The fair, balanced and understandable statement appears on page 67.

Internal control
The Board remains responsible for the effectiveness of internal control and risk management and keeps the systems under regular review.

The Group's systems of internal control are based on assessment of risk and a framework of control procedures to manage risks and to monitor compliance with procedures. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed and, by their nature, can provide only reasonable, not absolute, assurance against material loss to the Group or material misstatement in the financial accounts.

The key elements that comprise the Group's internal control framework are set out below and on the following page:

Management Structure and Authority
- The Group has an established and well understood management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments. There is a clearly defined management responsibility and reporting structure.
- There is a formal schedule of matters that are specifically reserved for decision by the Board. This is reviewed on an annual basis by the Board at its scheduled December meeting.
- An Executive Leadership team comprising the Executive Directors, Divisional Managing Directors and key functional heads meets on a frequent basis in order to consider:
  - the development and implementation of strategy, operational plans, policies,
  - procedures and budgets;
  - the assessment and control of risk;
  - the prioritisation and allocation of resources;
  - the development and performance of talent; and
  - competitive forces in each area of the Group's operation.

Financial Control
- There are comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits.
- Monthly reforecasts are performed by each business unit and then consolidated to provide an update of the Group's expected current year performance.
- Ongoing financial performance is monitored through regular weekly reporting and monthly reporting cycles to the Executive Directors and regular reporting to the Board. This process enables management to assess performance, and identify risks and opportunities at the earliest opportunity.
- Capital investment and all revenue expenditure is regulated by a budgetary process and authorisation levels, with post-investment and period end reviews conducted as required.
- A comprehensive budgeting system allows managers to submit detailed budgets which are reviewed and challenged by the Executive Directors prior to submission to the Board for approval.
- The Group's cash resources are managed by a centralised treasury function.
- Internal management reporting and external statutory reporting timetables and delivery requirements are well established, documented and controlled at the Group centre.
- The Group maintains computer systems to record and consolidate all of its financial transactions. These ledger systems are used to produce the information for the monthly management accounts, and for the annual statutory financial statements.
- A strategic plan is prepared annually, setting out the long range plans of the business, with associated capital and other resource requirements.

Risk Management
- Following the completion of a review conducted by KPMG during 2019 the Group has a revised risk management framework in place with clear structure, governance and process covering the identification of risks at divisional level up to the approval of the Principal Risks at the Group Board.
- The Group maintains appropriate insurance cover to cover major risks as necessary.

Internal Audit
- RSM LLP ("RSM") provide an outsourced internal audit function.
- The Internal Audit programme for the subsequent year is approved by the Committee in December each year. This contains a schedule of reviews to audit a range of processes and controls throughout the year covering each component of the Group.
- Updates on the status of audits against the Annual Internal Audit Plan are provided to the Committee by RSM on a regular basis. These set out any control weaknesses identified as well as management's actions to address control recommendations.

Ethics and Compliance
- The Group has a number of policies and procedures designed to ensure compliance with relevant corporate regulations including reducing the possibility that fraud will be perpetrated or to ensure that there are no breaches of anti-bribery legislation. These policies comprise the Code of Business Conduct, the Anti-bribery and Corruption Policy, the Trade Association Policy and the Competition Law and Compliance Policy.
- The Committee reviews and considers the ongoing suitability and operation of these policies on an annual basis.
- The Group has a whistleblowing procedure whereby employees who have genuine concerns about something they suspect may be illegal, unsafe or unethical and which they feel cannot be aired through the normal channels, may phone a confidential "hotline" to express their concerns.
- Reports on any instances of fraud and/or money laundering are included at each meeting of the Committee.

Risk Management Framework
Risk arises from the operations of, and strategic decisions taken by, every business and our approach to risk management is not to eliminate risk entirely, but rather provide the structural means with which to identify, prioritise and manage the risks involved in our activities. The Board is ultimately responsible for the Group's risk management processes and systems of internal control.

The Group has an ongoing process for the identification, evaluation and management of significant business risks, which has been in place for the year under review and up to the date of approval of this Annual Report. The Executive Directors meet regularly with representatives from the businesses to address financial, human resource, legal, risk management, compliance and other control issues.

The Board has, during the year, identified and evaluated the key risks and has ensured that effective controls and procedures are in place to manage these risks (see pages 34 to 39).

In considering the risks to which the Group is exposed, risk matrices are maintained and reviewed by each subsidiary entity within the Group. These matrices are the result of input and challenge undertaken by the senior managers within the entity and the Executive Directors, and are refreshed during the course of the year. At a Group level, the Board reviews these matrices and the analysis of potential exposures which exist within them. Risks are reviewed and monitored on an ongoing basis using consistent measurement criteria.

The Committee supports the Board in monitoring the risk exposures and is responsible for reviewing the effectiveness of the risk management and internal control systems. The Committee is assisted by the Group's outsourced internal auditor, RSM, in evaluating the design and operating effectiveness of our risk strategies and the internal controls implemented by management. During 2019, no significant failings or weaknesses in the Group's internal controls were identified.

The Committee reviewed and approved the Group-wide risks and mitigation prepared by management. This review formed a key component of the Directors' robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. These are set out in the table on pages 34 to 39.

The Committee, on the Board's behalf, has conducted a review of the effectiveness of the Group's system of risk management and internal control during the year, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of the review can be found in the Audit Committee Report on page 65. Following conclusion of the work undertaken by KPMG to review and revise the Group's risk management framework and activities the Group has implemented a new Enterprise Risk Management Policy and oversaw the application of this new framework during 2019.

Audit Committee Report

Assessed risk management and internal controls systems as being effective.

Conducted a review of the significant judgements made by management in preparing the 2019 financial statements.

Oversaw transition to IFRS 16.

Dear Shareholder,
I am pleased to present my report to you, as Chair of the Audit Committee (the "Committee"), for the year ended 31 December 2019.

The Committee is appointed by the Board and reviews and makes recommendations to the Board on the Group's financial reporting, internal control and risk management systems.

The Committee provides independent monitoring, guidance and challenge to the Executive Directors. In addition, it assesses the effectiveness of the external audit process and the external auditor. Through these processes the Committee's aim is to ensure high standards of corporate and regulatory reporting, risk management and compliance, and an appropriate control environment. The Committee believes that excellence in these areas enhances effectiveness, reduces risks to the business, and protects the interests of the shareholders with regard to the integrity of financial information published by the Group.

Committee calendar and agenda discussion items
During the year the Committee met on four occasions.

2019	Q1	Q2	Q3	Q4
Financial and narrative reporting	●	●	●	●
External audit	●	●	●	●
Review of risk	●	●	●	●
Independence and objectivity of the external auditor	●		●	
Internal audit	●	●	●	●
Annual review of the Committee's effectiveness				●
Review of significant accounting matters and judgements	●	●	●	●

The Committee reviewed its Terms of Reference ("TOR") during the year. A copy of the TOR can be found on our website.

The Committee will continue to keep its activities under review to ensure that it complies with any changes in the regulatory environment.

I shall be available at the 2020 AGM to answer any questions shareholders may have regarding the work of the Committee.

Committee composition and meetings
Membership comprises the independent Non-Executive Directors with support from the Group's Company Secretary. Details of meeting attendance can be found on page 56.

The Board considers that I have recent and relevant financial experience. The Committee, as a whole, has competence relevant to the sector in which the Group operates. Members have relevant experience in finance, building materials, B2B businesses and extractive industries, together with general executive experience in businesses of scale and pensions. Additional information on our skills and experience can be found in the Board biographies set out on pages 54 and 55.

The Committee provides a forum for reporting and discussion with the Group's external auditor in respect of the Group's Half-Year and Full-Year results and certain Executive Directors and senior managers attended meetings, as and when required, by invitation.

Other members of the Board are invited to attend the Committee's meetings, as and when required.

The purpose of the Committee is to make recommendations on the reporting, control, risk management and compliance aspects of the Directors' and the Group's responsibilities. At the same time the Committee provides independent monitoring, guidance and challenge to Executive Management in these areas.

2019 key achievements
- Reviewed, and recommended to the Board for approval, the Annual Report, the Full-Year and Half-Year results announcements.
- Successful transition to a new CFO.
- Oversaw the conclusion of an external review of the Group's risk management framework and the implementation of recommended enhancements.
- Introduced "deep dives" into specific risk areas.
- Oversaw the transition of the Group to IFRS 16.
- Challenged management's rationale for the use of specific APMs, and the link between APMs reported within the financial statements and incentive measures within the Directors' Remuneration Report.
- Managed the transition to two separate reporting segments.

Areas of focus in 2020

- Continue to ensure that the systems of internal control are robust and operating effectively and that the principal risks identified by the Board are managed effectively.
- Assess individual areas of risk selected for periodic in depth review.
- Review significant reporting judgements and estimates and associated key assumptions.
- Review the Annual Report, Full-Year Results and Half-Year Results announcement in order to recommend them to the Board for approval.

Committee activities during the year

The Committee ensures the integrity of financial reporting and audit processes and the maintenance of a sound internal control and risk management system. The table on page 64 summarises the agenda items covered at the Committee's meetings during the year.

Financial and narrative reporting

- Reviewed the Full- and Half-Year results and associated announcements, together with the analysts' presentations, and recommended them to the Board for approval.
- Reviewed the Group's Annual Report to consider whether, taken as a whole, it was fair, balanced and understandable and whether it provided the necessary information required for shareholders to assess the Company's position, performance, business model and strategy and recommended it to the Board for approval.
- Considered the appropriateness of the Group's accounting policies and practices, focusing on areas of significant management judgement or estimation, and questioned the rationale for decisions taken in application of the policies. Policies and practices were found to be appropriate and correctly applied (see Significant issues considered by the Committee during the year on page 66).
- Received updates on corporate reporting and corporate governance from the external auditor, including:
  - the changing governance landscape for listed companies;
  - purpose, values, culture and Section 172 of the 2006 Companies Act;
  - workforce engagement;
  - risk and internal control; and
  - Board composition and independence.
- Considered the process for preparing the 2019 Annual Report.
- Received updates from management on training for Committee members, including changes in financial reporting requirements and company law.
- Considered the impact the introduction of IFRS 16 had on the presentation of the Group's financial results.

Review of significant accounting and key areas of judgement

A key factor in the integrity of financial statements is ensuring that suitable accounting policies are adopted and applied consistently on a year on year basis. The Committee specifically uses the Audit Planning meetings in May and December each year to consider proposed accounting treatments for major transactions, significant reporting judgements and key assumptions related to those judgements. In addition, these matters are reviewed at each Committee meeting throughout the year.

Review of risk

- Reviewed principal business risks, risk management processes and internal controls. Information on Principal risks and Risk management is set out on pages 34 to 39.
- Received a report from the CFO on the internal controls operating in the business and any associated action plans. The Committee concluded that the Group's internal controls had been operated effectively.
- Reviewed fraud risks, Code of Business Conduct and whistleblowing policy. The review did not identify any material matters of interest.
- Considered the appropriateness of the Group's viability statement at the Full-Year, and going concern statement assumptions at the Half-Year and Full-Year, including a review of the sensitivity analysis and scenarios prepared by management. This specifically challenged management's preparation of the Viability Statement using a three-year lookout period. Following discussion, the Committee concurred with management as to the choice of a three-year lookout period. The Viability Statement and the Going Concern Statement are set out on pages 47 and 48 respectively.

External audit

- Reviewed and concurred with Deloitte LLP's (Deloitte) plans for their review of the 2019 interim statement and audit of the 2019 financial results.
- Reviewed and considered the reports presented by Deloitte to the Committee following the Half-Year review and Full-Year audit.
- Reviewed the performance of the external auditor and the effectiveness of the external audit process.
- Discussed and approved the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the external auditor, taking into consideration relevant professional and regulatory standards.
- Discussed and approved the Directors' Letter of Representation provided to Deloitte.
- Reviewed and approved the policy for the employment of former employees of the external auditor, without amendment, confirming with management that no such employees had been appointed during 2019.
- Held meetings with Deloitte, following Committee meetings, without management present, on two occasions. No material issues were brought to the Committee's attention at those meetings.
- Recommended to the Board that a shareholder resolution should be proposed for the reappointment of Deloitte.

Independence and objectivity of the external auditor

- Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the external auditor. The Committee formed the opinion that Deloitte had demonstrated their independence and objectivity.

Internal audit

- Reviewed reports presented by RSM on internal audit assignments that had been completed during the year and discussed the results and agreed actions arising from RSM's recommendations.
- The Committee reviewed, and were satisfied with, management's responsiveness to RSM's findings and recommendations.
- Agreed a plan of work for the 2020 internal audit programme with RSM. In reviewing the proposed plan of work, the Committee questioned the internal auditor and management as to the composition of the plan. The Committee considered any specific areas of risk identified by either party in formulating the schedule. Following discussion, the Committee was satisfied that the proposed 2020 work programme was appropriate.
- The Committee met with RSM, without management present, on two occasions. No material issues were brought to the Committee's attention at those meetings.

Annual review of Committee effectiveness

- Received updates from Deloitte on developments in compliance, corporate governance matters and the regulatory framework.
- Conducted the annual evaluation of the effectiveness of the Committee and formed the opinion that the Committee had performed effectively during the year under review.
- Reviewed the Committee's TOR and confirmed that, subject to a few minor amendments, they remained appropriate.
- Reviewed training requirements of Committee members and received training and technical updates from the Company Secretary and Deloitte.

Other ad hoc matters

- Reported to the Board on how the Committee has discharged its responsibilities, including the significant matters considered and an explanation of the assessment of the effectiveness of the external audit process.
- Approved the annual programme of work to be performed by the Committee.
- Reviewed and approved, without amendment, the Group's policy for the provision of non-audit services by the external auditor.
- Met with the audit partner on a number of occasions during the year.
- Held two meetings with the CEO and two meetings with the CFO. No material issues were brought to the Committee's attention at those meetings.

Audit Committee Report
continued

Significant issues considered by the Committee during the year

Matter considered	Committee's response
Pension accounting The Group operates a defined benefit pension scheme. Management exercise their judgement around the assumptions used by its actuary, including the sensitivities to these assumptions, to calculate the pension scheme liabilities under IAS 19 (R) Employee benefits. As at 31 December 2019, the scheme had an actuarial accounting surplus of £88.7 million (2018: £80.7 million), as detailed in Note 21 to the financial statements.	The Committee concurred with management's assessment that the estimates used within the valuation of the Group's pension liability (including inflation, discount and mortality rates) represented significant sources of estimation uncertainty, as set out within IAS 1 Presentation of Financial Statements. A review of management's proposed disclosure in relation to this estimation uncertainty was completed. Additionally, the Committee reviewed the assumptions with management and sought views from the external auditor before it concluded on the appropriateness of the actuarial balances disclosed. This review considered the financial assumptions used by management as part of the actuarial valuation and the range of possible assumptions using available market data to assess the reasonableness. The Committee concluded that the actuarial assumptions used in the valuation of the period end pension liabilities were in an acceptable range, disclosed appropriately and is satisfied that the resulting presentation and disclosure is appropriate.
Indicators of impairment The Group holds significant asset values in the form of brands, customer relationships, mineral reserves, land and buildings and property, plant and equipment. These assets were subject to a detailed fair value exercise upon acquisition of the trading entities in February 2015. For a number of assets, this exercise utilised the business' performance projections in arriving at the fair value ascribed. Should actual performance subsequently fall below these projections, impairment of the asset values may be required under IAS 36 Impairment of assets. As at 31 December 2019, the value of these non-current assets was £608 million (2018: £546 million).	The Committee considered the processes adopted by management in assessing whether, in their judgement, any indicators of impairment existed and whether any subsequent detailed impairment testing should be undertaken. The Committee carefully considered management's sensitivity analysis and assessed the impact on the analysis of changes to the underlying assumptions. Following its review, the Committee concurred with management's judgement that no indicators of impairment existed at the balance sheet date and, as such, no detailed impairment testing was required. In conclusion, after reviewing the reports from management, the Committee was satisfied that the financial statements appropriately reported the value of the assets and that they were fairly stated. The Committee reflected upon management's proposal to remove the significant judgement disclosure relating to the impairment of non-current assets. In light of the significant headroom present within management's assessment of impairment indicators and following challenge and discussion with the external auditor, the Committee concluded that the judgement would not significantly affect the amounts recognised in the financial statements for the current year.
Exceptional items The Group presents as exceptional items on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the financial period, so as to assess better underlying trends in financial performance. Details of exceptional items are set out in Note 5 to the financial statements. Additionally, the Group financial statements present a number of alternative performance measures ("APMs") within its published financial information, including its 2019 Annual Report and Accounts, with the objective of providing readers with a better understanding of financial performance in the period, in order to facilitate comparison between periods and to assess trends in financial performance. Definitions of APMs used are set out in Note 3 to the financial statements.	In light of the guidance issued by the European Securities and Markets Authority and the UK's Financial Reporting Council, the Committee has understood and challenged management's rationale for including an item as an exceptional item and the wider use of APMs. Through discussion with management and the external auditor, the Committee has also sought to ensure that the policy for APMs is applied consistently and in compliance with the guidance provided. The Committee challenged management's rationale for the use of specific APMs; and the link between APMs reported within the financial statements and incentive measures within the Directors' Remuneration Report. The Committee concluded that the presentation of APMs gave additional clarity on performance and were reconciled appropriately to reported amounts, with sufficient prominence, and is satisfied that the resulting presentation and disclosure is appropriate.
Acquisition of Longley Concrete The Group acquired the entire share capital of the Longley Concrete Group on 31 July 2019 for consideration of £14 million. As a result of the acquisition intangible assets of goodwill, brands and non-contractual customer relationships was recognised totalling £9 million, as set out in Note 11 to the financial statements.	Following the acquisition of Longley Concrete, management commissioned an external valuation of intangible assets arising upon acquisition. Upon completion of this valuation exercise, the Committee were presented with the resultant intangible assets, together with the supporting assumptions and proposed financial statement disclosure, prepared by management. Following review and challenge by the Committee it was concluded that the presentation of the acquisition within the primary financial statements and supporting notes appropriately reflects the transaction and satisfied the relevant reporting requirements.
IFRS 16 Leases From 1 January 2019 the Ibstock plc Group accounts adopted the new lease accounting standard (IFRS 16). The standard removes the concept of operating and finance leases for lessees and replaces it with a single accounting model under which lessees must recognise all significant leases on-balance sheet. Upon transition, the Group recognised right-of-use assets and lease liabilities, each valued at £37 million. At 31 December 2019, the Group recognised right-of-use assets and lease liabilities, each valued at £30 million. Prior year comparative information was not restated. Details of the transition to IFRS 16 are set out in Note 2 and Note 27 to the financial statements.	Upon transition to IFRS 16, the Committee considered management's analysis of the impact of the new standard and its planned communications within the Group's public reporting. Following its assessment of management's initial IFRS 16 impact assessment, the Committee approved management's proposed use of the modified retrospective transition option and monitored progress with the transition exercise throughout the year. Subsequently, the Committee reviewed management's proposed disclosure in relation to its adoption of the new accounting standard and concluded that it appropriately reflected the Group's use of leased assets and the financial impact thereof.

Going Concern and Viability Statements
As requested by the Board, the Committee reviewed the Going Concern and Viability Statements prepared with the assistance of management, together with the supporting documentation and sensitivity analyses. Details of the review process and the conclusion reached are set out on pages 47 and 48. Following its review, the Committee recommended the approval of both statements to the Board.

Fair, balanced and understandable
It is the Board's responsibility to determine whether the 2019 Annual Report and Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2019 Annual Report and Accounts, reviewed management's analysis of the 2019 Annual Report and Accounts and how this met the objectives of providing fair, balanced and understandable disclosures. After detailed consideration the Committee arrived at the decision to recommend that the 2019 Annual Report and Accounts be approved by the Board as fair, balanced and understandable.

Internal controls and risk management
The Committee supports the Board's assessment of principal risks and the Board's review of the Group's internal financial controls, as well as the internal controls and risk management process.

Internal audit
The Committee received updates from RSM at each meeting on the progress made against the agreed internal audit plan for 2019. RSM also reviewed the Year-end and Half Year-end financial close accounting procedures and completed reviews of payroll systems across remaining entities not covered in the prior year.

The external audit and review of its effectiveness
The Committee advises the Board on the appointment/reappointment of the external auditor, their effectiveness, independence and objectivity, and discusses the nature and results of the audit with the external auditor. These reviews included:

- the effectiveness of the external audit firm;
- quality controls;
- the audit team;
- audit fee;
- audit communications and effectiveness;
- governance and independence;
- ethical standards; and
- potential impairment of independence by non-audit fee income.

As part of the review of the effectiveness of the external audit process, the Committee received a report on the external auditor's quality control procedures and conducted a formal evaluation procedure.

In addition to reviewing the formal report received from the external auditor, which outlines how points raised by them have been addressed by management, feedback is also sought on the conduct of members of the finance team during the audit process. The Committee Chair also met with the lead audit partner outside the formal Committee process.

The external auditor is responsible for the annual audit of the Group's subsidiaries and other services which the Committee believe it is best placed to provide.

The Committee also considers the effectiveness of management in the external audit process in respect of the timely identification and resolution of areas of accounting judgement with input from the external auditor as appropriate; and the timely provision of the draft Half-Year results announcement and Annual Report for review by the auditor and the Committee.

Following a competitive tender process conducted in 2016, Deloitte was appointed as auditor, and Jonathan Dodworth became the lead audit partner, for the financial year commencing 1 January 2017.

The Committee received formal confirmation from Deloitte that the audit engagement team, and others in the firm as appropriate, Deloitte and, where applicable, all Deloitte network firms were and remained independent of the Group.

Having undertaken its review, the Committee is satisfied that Deloitte has been independent and effective. Deloitte has indicated its willingness to continue in office and the Committee has recommended Deloitte's re-appointment to the Board. A resolution to re-appoint Deloitte as the external auditor will therefore be proposed at the AGM to be held in 21 May 2020.

The Committee's policy is that the role of external auditor will be put out to tender at least every 10 years in line with the applicable rules, or at other times should it be required by specific circumstances.

Audit fee and non-audit services
The non-audit services policy sets out clearly the non-audit services that may be provided by the external auditor. Under the policy, prior approval is required by the Committee for any non-statutory assignments where the fee would exceed £10,000, or where such an assignment would take the cumulative total of non-audit fees paid to the external auditor over 70% of that year's statutory audit fees. However, when appropriate, a detailed calculation will be performed to ensure that the Group is compliant with the European Union's Statutory Audit Framework.

Details of the amounts paid to the external auditor are set out in Note 6 to the Group consolidated financial statements. During the year Deloitte provided non-audit services in respect of the review of the interim financial statements for the six-month period ended 30 June 2019 (£55,000) and of the management's banking covenant compliance certification as at 31 December 2019 (£5,000). Both services were for audit-related services and represent services that were carried out by members of the audit engagement team where the work involved is closely related to the work performed in the audit. The ratio of audit fees to non-audit fees was 9:1.

The Committee considers that the external auditor continues to be independent.

Committee effectiveness
The effectiveness of the Committee was reviewed by both the Board and the Committee, in compliance with the Code. The evaluation was conducted by means of a questionnaire which was completed by all members of the Board and the Company Secretary. A report on the outcome of the evaluation of the Committee's effectiveness was presented to the Board. The conclusion drawn from the review was that the Committee operates effectively.

The Committee considers that it has acted in accordance with its TOR and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

The Company has complied throughout the year under review, and up to the date of this report, with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Justin Read
Chair of the Audit Committee
2 March 2020

Remuneration Committee Report

Governance Code changes reflected in the Directors' Remuneration Report.

Considered and approved 2019 Bonus Awards.

Dear Shareholder,
As the Chair of the Remuneration Committee (the "Committee"), I am pleased to present the Directors' Remuneration Report ("DRR") for the year ended 31 December 2019.

Membership comprises the Group's Chairman and the independent Non-Executive Directors with support from the Group's Company Secretary. Details of meeting attendance can be found on page 56.

Committee calendar and agenda discussion items
During the year under review the Committee met formally on four occasions to consider the following items:

	Q1	Q2	Q3	Q4
Recommended the DRR for approval by the Board incorporating provisions of the UK Corporate Governance Code	●			●
Approved 2018 Annual Bonus awards for the Executive Directors and senior executives	●			
Reviewed Gender Pay Gap reporting	●			
Approved the annual programme of work to be undertaken by the Committee		●		
Approved the vesting of the LTIP awards granted in 2016		●		
Received updates on corporate governance and the regulatory framework		●		
Approved the 2019 Annual Bonus scorecards and monitored interim performance	●		●	●
Approved 2019 LTIP and Share Option Plan awards	●			
Reviewed all employee pay policies, the gender pay gap and progress in reaching compliance with the Code in relation to the stakeholder engagement		●	●	
Set 2020 pay levels for the Executive Directors and senior management, including pay benchmarking			●	●
Reviewed the measures and weightings of the 2020 annual bonus scheme and the 2020 LTIP			●	
Reviewed the Committee's terms of reference and assessed its effectiveness				●

2019 has been a year of resilient performance and good progress with our strategic initiatives. We were pleased to complete the acquisition of Longley Concrete, a highly complementary addition to our Concrete Division. In addition, Ibstock has paid a supplementary dividend for 2019, demonstrating our commitment to shareholder returns and our confidence in the underlying strength of the business.

As previously disclosed in the 2018 DRR, Kevin Sims was succeeded as CFO by Chris McLeish in August 2019. We have provided details of the remuneration arrangements for both directors in the main part of this report.

As announced on 11 December 2019, Kate Tinsley who is currently the Managing Director at Ibstock Clay, was appointed to the Board on 1 January 2020. I am delighted to welcome Kate to the Board and I am looking forward to working with her. Kate Tinsley's remuneration details are included in the statement of the implementation of the remuneration policy in 2020 on page 86.

Structure of the report
This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Code and the Listing Rules. The report consists of three sections:

- The Annual Statement by the Remuneration Committee Chairman and associated "At a glance" section (pages 68 to 72);
- The Directors' Remuneration Policy pages 73 to 74; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2019 financial year (pages 75 to 86).

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 21 May 2020.

Financial highlights for the year include:
- Group revenue from continuing operations – £409 million.
- Adjusted EBITDA[1] from continuing operations – £122 million.
- Profit after tax from continuing operations – £66 million.
- Additional 5.0 pence supplementary dividend has been paid alongside the 2019 interim dividend in September 2019.

1 Alternative performance measures are described in Note 3 to the financial statements.

Operational highlights include:

- Market conditions in the new build housing sector remained broadly stable in the first half but softened slightly during the second half.
- New Eclipse soft mud brick factory in Leicestershire performing well and supporting industry demand.
- Enhanced maintenance programme in UK brick business has progressed well.
- Acquisition of Longley Concrete, a precast concrete business with three manufacturing plants in the UK, for £14 million, which is highly complementary to our existing concrete operations and will support future growth of the division.
- Awarded UK's Most Ethical / Sustainable Manufacturer of the Year.

Further details of performance against the Company's key performance indicators are detailed on pages 24 and 25 and in the Financial Review on pages 44 to 46.

Incentive outcomes in 2019

In line with our remuneration philosophy, incentive outcomes are largely driven by corporate performance and shareholder value creation.

The annual bonus for our Executive Directors, which is based 70% on the Group's financial performance and 30% on non-financial objectives, paid out at 31.9% to 33.1% of maximum opportunity. Further details of the annual bonus targets for the year and performance against those targets are provided on page 70. The Committee was comfortable that the annual bonus outcomes reflect resilient corporate performance delivered in 2019.

The first long-term incentive plan ("LTIP") award granted after the Initial Public Offering ("IPO") vested in April 2019. The award was linked to two performance conditions and after due consideration the Committee determined that the final level of vesting was 38.52% based on 77.04% vesting of the Total Shareholder Return ("TSR") component and nil vesting of the Earnings Per Share ("EPS") component. The Committee considered it was appropriate to exercise its judgement to exclude the exceptional profit on disposal of surplus property which had the effect of reducing the level of vesting of the EPS component from 56.68% to nil. Further details of the performance assessment and determination of the vesting levels for the 2016 LTIP award are provided on page 70.

2019 Directors' Remuneration Policy

The current Remuneration Policy ("Policy") was approved at the 2019 AGM. In line with this approved Policy, the Committee considered whether from 2020 the LTIP award levels for the CEO and CFO could be increased from 100% to 150% of salary. After due deliberation, the Committee determined that such increase in the LTIP opportunity was warranted in light of the strong leadership of the relatively new executive team, the performance against key strategic objectives and the recent share price performance, which reflected the confidence of investors in the management team and the business. The Committee also determined that the new Executive Director (Kate Tinsley), will be eligible to receive the LTIP award at 125% of salary.

The Company's remuneration strategy is designed to motivate the Company's senior leaders to deliver strategic objectives, ensure customer focus based on quality and consistency, and to drive long-term value for our shareholders. These core elements are captured in our incentive framework for the Executive Directors.

Further details of how our incentives and their measures align to the Company's key strategic priorities can be found on page 72.

Remuneration Committee decisions made during 2019

Key decisions made by the Committee during, and for, the financial year include:

- Changes to the UK Corporate Governance Code ("Code") have been considered when drafting disclosures for the DRR and we will be compliant with the revised Code principles and provisions relating to remuneration.
- The Committee carefully considered a number of factors influencing the pay review, including inflation, market conditions and underlying financial performance. Salary increases of 2.5% were awarded to the CEO and CFO, in line with the increase provided to the employee population. Fee increases of 2.5% were also awarded to the Chairman and Non-Executive Directors. The Senior Independent Director's fee was increased from £5,125 to £10,000. Further details on how our Remuneration Policy will be applied in practice for the 2020 financial year are set out on page 86.
- The Committee determined that the CEO and CFO should receive an annual performance bonus in respect of 2019 equal to 39.9% to 41.4% of base salary reflecting performance against the measures and targets for the year.
- 2019 LTIP awards of 100% and 125% of salary were granted to Joe Hudson and Chris McLeish. The increased quantum for Chris was negotiated as part of his recruitment from Tate & Lyle plc in lieu of one of the Tate & Lyle share awards that was not covered under his buyout arrangements. The grant levels and performance targets for the LTIP are consistent with the Policy – further details of the awards are provided on page 81.
- To facilitate his recruitment and in accordance with the Policy and the terms agreed with Chris McLeish, the Company determined to buy out certain share awards with his previous employer which lapsed on his cessation of employment. Further details of the buyout package granted can be found on pages 80 and 81.

Fairness and diversity

Creating a thriving and diverse workforce is a high priority for our business. However, we recognise that we operate in an industry that historically has been associated with certain inherent challenges around diversity. We are fully committed to embracing the new developments in regulation and best practice to ensure that we, as a business, are contributing to the shift in the industry's outlook and approach from the perspective of gender equality and diversity of skills, background and knowledge. In 2019 we developed a number of initiatives focused on supporting women at Ibstock at the start of their career, with Ibstock Brick shortlisted for Most Inspiring Apprenticeship Programme award, as well as at more senior levels in the organisation, with Kate Tinsley recognised at the Leicestershire Women in Business Awards 2019. Further detail on these initiatives is provided on page 75.

Stakeholder engagement

We regularly engage with our shareholders in a two-way communication process to maintain their support and to ensure we have a transparent executive reward structure aligned to shareholder experience. If you would like to discuss any aspect of our remuneration strategy, I would welcome your views.

We monitor shareholder reaction and commentary regarding our remuneration practices. At the 2019 AGM shareholders voted overwhelmingly in favour of the new Policy and the 2018 DRR (with 99.71% and 99.22%, respectively). Details of the voting outcomes are presented on page 85.

In August 2019 the Group launched its first ever employee forum called The Listening Post. Under the initiative, the CEO and one of the independent Non-Executive Directors, together with certain members of the ELT, will meet twice a year with nominated employee champions elected from all parts of the business to discuss the Group, how it is performing and to identify potential areas for improvement.

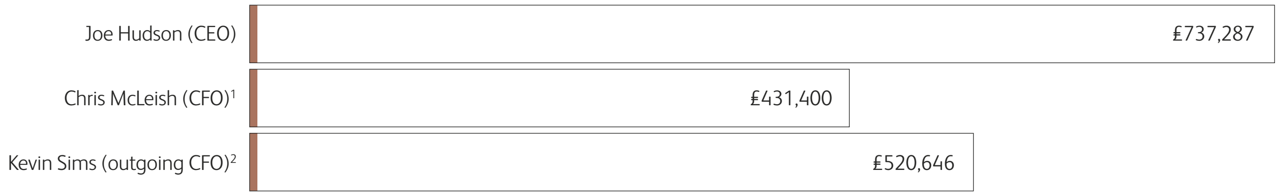
The Listening Post is intended to be a positive two-way exchange of information, ideas and suggestions that we hope will deliver tangible business results. Further details on the operation of our workforce engagement mechanisms are presented on page 77.

Tracey Graham
Chair of the Remuneration Committee and Senior Independent Non-Executive Director
2 March 2020

Annual Statement: 2019 at a glance

Remuneration outcomes in 2019 reflect the resilient corporate performance delivered in the year. Having considered all of the relevant factors, the Committee is satisfied that remuneration paid to our Directors and senior management in 2019 was appropriately aligned to the underlying business performance.

Single figure remuneration for our Executive Directors



1 Chris McLeish joined the Board on 1 August 2019 and became CFO on 31 August 2019.
2 Kevin Sims stepped down as CFO and Board Director on 31 August 2019. His bonus and remuneration have been pro-rated to reflect this.

The single total figure of remuneration table for the Executive Directors and Non-Executive Directors is set out in detail on page 78.

Annual Bonus outcome

Our 2019 bonus outcomes outlined below reflect the performance targets and measures put in place during the 2019 financial year and their level of satisfaction. The financial objectives include key performance indicators and details can be found on page 24.

	Adjusted EBITDA (30%)	Adjusted operating cash flow (20%)	ROCE (20%)	Non-financial objectives (30%)	2019 Annual Bonus outcome (% of maximum)
Joe Hudson (CEO)	4.87	0	0	28%	33.1%
Chris McLeish (CFO)	4.87	0	0	27%	31.9%
Kevin Sims (outgoing CFO)	4.87	0	0	30%	34.9%

Having considered performance against both financial and non-financial targets the Committee awarded bonuses as a % of maximum opportunity of 33.1% and 31.9% for the CEO and CFO respectively.

No discretion was exercised in relation to the Annual Bonus outcome.

Two-thirds of the 2019 bonus will be paid in cash and one-third will be deferred into shares for a period of three years.

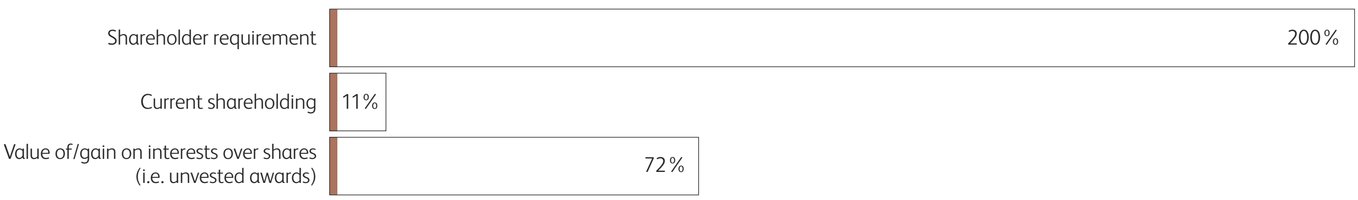
2016 LTIP vesting

Measure	Weighting	Threshold	Maximum	Actual	Vesting (% of maximum)
Relative TSR	50%	16.29% growth	55.84% growth	41.36% growth	77.04%
Adjusted EPS growth	50%	6% per annum	16% per annum	10.2% per annum	Nil[1]

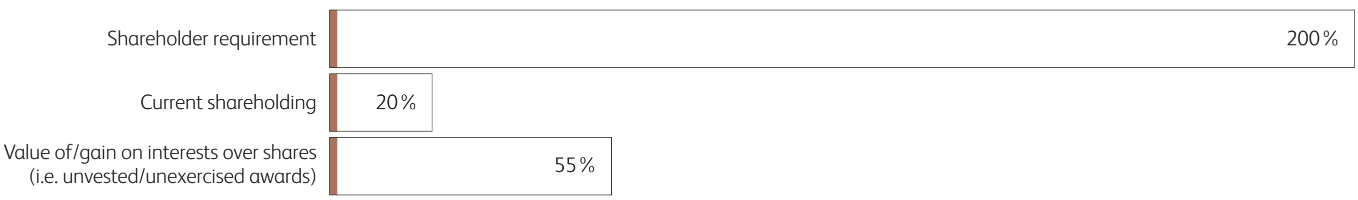
1 Although the adjusted EPS growth was in excess of the threshold, the Committee determined that it would be fair and reasonable to exclude the exceptional profit on disposal of surplus property from the calculation. With this exceptional item excluded, vesting of the EPS element of the award was nil.

Share ownership

Joe Hudson (CEO)
(% of salary)



Chris McLeish (CFO)
(% of salary)

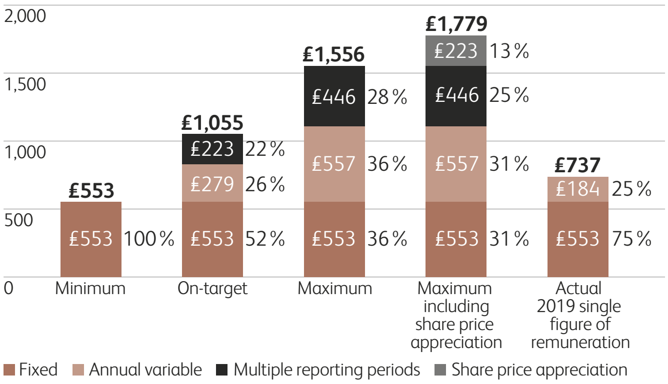


The number of shares of the Company in which Directors had a beneficial interest as at 31 December 2019 is set out in detail on page 83.

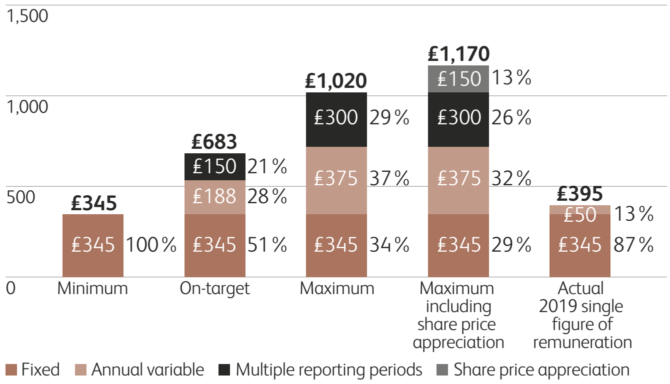
Illustrations of the application of the Remuneration Policy

The charts below illustrate the total remuneration that would be paid to each of the Executive Directors, based on salaries at the start of the 2019 financial year, under four different performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum including the impact of a 50% increase in share price on the LTIP outcome. In addition, the chart shows the actual single figure of remuneration paid in respect of 2019.

Joe Hudson (CEO)
£'000



Chris McLeish (CFO)
£'000



Element	Minimum	On-target	Maximum	Maximum including share price appreciation
Fixed (salary[1], benefits and pension[2])	Included	Included	Included	Included
Annual bonus (125% of salary)	Not included	50% of maximum	100% of maximum	100% of maximum
LTIP (100% of salary in 2019)[3]	Not included	50% of maximum	100% of maximum	100% of maximum
Share price gain (50% over 3 years)	Not included	Not included	Not included	50% of the maximum LTIP value

1 Salary is Full Year 2019 base salary.
2 Based on 2019 benefits payments and pension values as per the proposed 2019 Policy.
3 This excludes the one-off additional 25% of salary in the LTIP award made to Chris McLeish in the year of appointment to compensate for the equity awards he forfeited on cessation of employment with his former employer.

Annual Statement: 2019 at a glance
continued

Our Remuneration Policy and its link to our Group strategy

The key elements of the Company's strategy and how its successful implementation is linked to the Company's remuneration are set out in the following table.

Strategic priorities

Remuneration Policy	**Sustainable performance** World class sustainable performance in our operations focussing in particular on manufacturing, health and safety and the sustainability of our business.	**Market led innovation** Strengthening commercial functions, delivering an outstanding customer service experience and developing innovative new products and solutions	**Selective growth** Investment in both organic growth projects and businesses that complement our existing operations	Equity ownership and retention of shares	Retain and reward the Executive team to deliver the strategy
Annual bonus The maximum bonus (including any part of the bonus deferred into an Annual Deferred Bonus Plan ("ADBP") Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	✓ Non-financial measures target customer satisfaction and Health and Safety in the workplace and therefore support this objective.	✓ **Adjusted EBITDA, Adjusted operating cash flow** The efficient development of innovative products measured through EBITDA will be reflected in increased profitability and cash flow.	✓ **Adjusted EBITDA, Adjusted operating cash flow** The success in maximising operational excellence will be reflected through increased profitability and cash flow.	✓	✓
LTIP Maximum annual award is normally 150% of salary from 2020. Awards will vest at the end of three years with a further two-year holding period. For 2020, the performance conditions for awards are equally weighted between: – Adjusted Earnings per Share ("EPS") growth; – Comparative Total Shareholder Return ("TSR"); and – Return on Capital Employed ("ROCE").		✓ **ROCE, TSR** The generation of cash and profit growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators and strong ROCE.	✓ **ROCE, Adjusted EPS, TSR** The success in maximising operational excellence will be measured through the long-term Adjusted EPS growth targeted by the LTIP and sustained strong ROCE. In addition, sustained value generation will be reflected in the shareholder returns of the Company which will be measured through the Company's TSR performance under the LTIP.	✓	✓
Share Incentive Plan ("SIP")				✓	✓
The Sharesave Plan ("SAYE")				✓	✓
Minimum shareholding requirements 200% of salary.				✓	✓

Remuneration Policy

Introduction

In accordance with the remuneration reporting regulations, the Policy as summarised below, became formally effective at the AGM on 23 May 2019 for a period of three years from the date of approval. A full copy of the Policy can be found on our website at www.ibstockplc.co.uk.

Policy table

Summary of the 2019 Policy.

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics
Base salary	Provides a base level of remuneration to support recruitment and retention of Executive Directors.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.	In general, salary increases for Executive Directors will be in line with the increase for employees across the Group. An alternative approach may be taken in relation to the individuals who are recruited or promoted to the Board.	None
Benefits	Provides a benefits package in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors.	The Executive Directors receive a company car or car allowance, private health cover and death in service cover.	The maximum will depend on the cost of providing the relevant benefits. The Company has monitoring practices in place to ensure spend on benefits is efficient.	None
Pensions	Provides retirement benefit to enable the Company to recruit and retain Executive Directors.	The Company operates a defined contribution pension or salary supplement arrangement for Executive Directors.	– 20% of salary for the CEO – 10% of salary for the other Directors	None
Annual and Deferred Bonus Plan ("ADBP")	The ADBP provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders.	The annual bonus will be paid in cash and deferred shares. The Committee will determine each year what part of the ADBP is deferred for three years. The minimum value of deferred shares is one-third of the bonus earned. The ADBP contains clawback and malus provisions.	– Up to 125% of salary Percentage of maximum bonus earned for levels of performance: – Threshold: 0% – On-target: 50% – Maximum: 100%	A minimum of 50% of the targets will be financial. The Board will determine the bonus to be delivered following the end of the relevant financial year. Actual targets, performance achieved and awards made will be published at the end of the performance period.
Long-Term Incentive Plan ("LTIP")	The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy.	Awards are granted annually and vest at the end of a three-year period. A post-vesting holding period of two years will apply for the LTIP. The Committee may award dividend equivalents in shares on awards to the extent that these vest. The LTIP contains clawback and malus provisions.	– Up to 150% of salary – Up to 200% of salary in exceptional circumstances 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.	The performance conditions for the 2020 LTIP awards are Adjusted EPS growth, comparative TSR and ROCE. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.
Share Incentive Plan ("SIP") and the Sharesave Plan ("SAYE")	The plans are designed to encourage all employees to become shareholders in the Company.	All employees including Executive Directors are eligible to participate in the plans.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The Company, in accordance with the legislation, may impose objective conditions on participation in the plans for employees.
Minimum shareholding requirement	Executive Directors are expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary. This will include deferred shares at their net-of-tax value and shares subject to a holding period at their full value. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. In addition, a post-cessation minimum shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for one year from leaving, reducing to 50% for a second year.			

Remuneration Policy
continued

Non-Executive Director remuneration

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics
Non-Executive Director and Chairman fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chairman.	Non-Executive Directors are paid an annual fee and additional fees for chairmanship of Committees. The Chairman does not receive any additional fees for membership of Committees.	The fees for Non-Executive Directors and the Chairman are set at broadly the median of the comparator group. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.	None

Alignment of proposed 2019 Policy with the requirements under the UK Corporate Governance Code 2018

The Remuneration Policy was designed considering the following key factors referenced in the UK Corporate Governance Code:

Clarity	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	– We proactively consult our shareholders on any changes to the Remuneration Policy and seek their views. – We regularly engage with the workforce and seek to bring employee voice in the Boardroom. – We always seek to improve the quality of disclosure in our DRR and conduct an annual review of disclosure provided to add relevant information to increase transparency.
Simplicity	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	– The structure of the ADBP and LTIP are in line with standard UK market practice and hence should be familiar to all stakeholders. – Performance metrics are chosen to focus on the key operational and financial performance objectives of the business.
Risk	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy helps mitigate risks as follows: – The Committee has discretion to override formulaic outcomes in instances where payouts do not accurately reflect the overall performance of the business. – Malus and clawback in incentive plan rules provide flexibility to prevent excessive payouts in exceptional circumstances. – Post-vesting holding periods and shareholding requirements encourage focus on sustainable performance over the long term. – Incentive performance metrics are aligned with the Company's strategy. – Maximum award limits are set within the remuneration policy.
Predictability	The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	– The Policy sets out potential levels of vesting available for varying degrees of performance (threshold, on-target and maximum) and calculation methodology. – The DRR illustrates graphically the potential levels of remuneration received by Executive Directors under various performance scenarios.
Proportionality	The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	– The ADBP and LTIP reward Executive Directors for delivering the Company's strategy. – The use of deferral and multi-year performance periods ensure Executive Directors are focused on long-term sustainable performance. – The Committee's discretion to adjust outcomes prevents Executive Directors from being rewarded for poor underlying business performance.
Alignment to culture	Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	– Alignment of our incentives structure to strategy is illustrated on page 72. Strategic priorities are supported by the Company's culture. – In addition, the Board believes that our remuneration structure is structured to drive the right culture and performance and is aligned with the Company's values.

Annual Report on Remuneration

Fairness, diversity and wider workforce considerations

Ibstock is committed to creating an inclusive working environment and rewarding our employees throughout the organisation in a fair manner. In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions. We believe that employees throughout the Company should be able to share in the Company's success. We have, on two occasions since our IPO, operated a very popular Save As You Earn ("SAYE") plan and our intention is to continue this where possible and to investigate additional opportunities for our employees to share in our success going forwards. We also believe that employees should have the opportunity to save for their futures and to this end we operate defined contribution Group personal pension plans into which the Company and our employees make contributions.

As part of our commitment to fairness and in line with the evolving reporting regulations, for the third year we have included this section into our remuneration report which sets out more information on our wider workforce pay conditions, our CEO to employee pay ratio, our Gender Pay statistics, and our Diversity and Inclusion Policy. Whilst we recognise there is much work still to do, we believe that transparency is an important first step towards making improvements in relation to these important issues.

Area	Considerations
Competitive pay and cascade of incentives	The Committee ensures that pay is fair throughout the Company and makes decisions in relation to the structure of executive pay in the context of the cascade of incentives throughout the business. The Committee's remit extends down to Executives and senior management for which it recommends and monitors the level and structure of remuneration.

Level	Participation in bonus	Participation in LTIP	Participation in Share Option Plan	Participation in SAYE/SIP
Executive Directors	✓	✓		✓
Senior executives	✓	✓	✓	✓
Senior managers	✓		✓	✓
Managers	✓			✓
Employees	✓			✓

Remuneration and its link to the Company's objectives

			Objectives			
Plan	Purpose	Eligibility	Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention)	Share ownership
SAYE/SIP	To broaden share ownership and share in corporate success over the medium term.	All employees.			✓	✓
Annual bonus	Incentivise and reward short-term performance. At senior level an element of bonus may be deferred in shares.	Executive Directors, senior executives, senior managers, managers and employees	✓	✓	✓	✓
Share Option Plan	Broaden share ownership, alignment, retention, long-term performance.	Senior executives and senior managers.			✓	✓
LTIP	Incentivise and reward long-term performance.	Executive Directors and senior executives.	✓		✓	✓

The Company uses a number of remuneration comparison measurements to assess the fairness of pay structures across the Group. Detailed disclosure of our approach to fairness, diversity and wider workforce considerations is presented above on this page. In setting the Policy for Directors, the pay and conditions of other employees of the Company are taken into account to ensure consistency of approach throughout the Company, including data on the remuneration structure for management level tiers below the Executive Directors, average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business.

As a Committee, we are keenly aware of the sensitivity of shareholders and the wider public regarding executive remuneration. The Committee will continue to monitor external remuneration developments closely and intends to embrace these changes and continue to comply with best practice reporting requirements as they come into force.

Annual Report on Remuneration
continued

Area	Considerations
Pay comparisons	**CEO pay ratio**

Year	Method	Lower Quartile ratio	Median ratio	Upper Quartile ratio
2018	Option A	30:1	24:1	19:1
2019	Option A	43:1	35:1	23:1

In line with the remuneration reporting regulations, we report the ratio of CEO single figure pay to the pay of our employees for the second year in 2019. As in 2018, we have calculated the ratios set out above using Option A, as described in the Directors' Remuneration Reporting Regulations, as we believe that this reflects the most comprehensive approach.

The ratios were determined as at 31 December 2019.

CEO pay in the last four years

The table below sets out the single total figure of remuneration and incentive outcomes for the Director holding the post of CEO in each year since Ibstock listed on the London Stock Exchange in 2015.

	Wayne Sheppard[2]				Joe Hudson[3]	
Year	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2018 £'000	**2019 £'000**
Single figure remuneration	773	789	906	184	592	737
% of maximum annual bonus earned	100%	33%	58%	32.5%	32.5%	33.1%
% of maximum LTIP awards vesting[1]	N/A	N/A	N/A	N/A	N/A	N/A

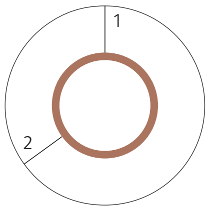
1 Following the IPO in 2015, no award under the LTIP vested in the period 2016 to 2018.
2 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his 2018 remuneration has been pro-rated to reflect this.
3 Joe Hudson became CEO on 4 April 2018. His single figure only includes compensation paid to him in 2018 in his capacity as the CEO from 4 April to 31 December 2018 and doesn't include compensation paid to him as CEO designate before 4 April 2018.

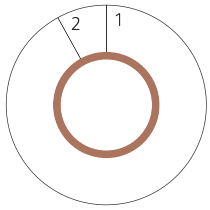
Percentage change in CEO's remuneration

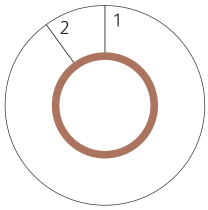
The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2018 and 2019 compares with the percentage change in the average of each of those components of pay for the employees.

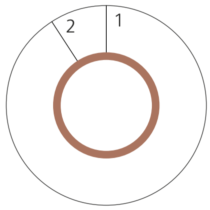
	Salary			Taxable benefits			Bonus		
Year	2018 £'000	**2019 £'000**	Percentage change	2018 £'000	**2019 £'000**	Percentage change	2018 £'000	**2019 £'000**	Percentage change
CEO[1]	435	446	2.5%	20	18	(10)%	177	184	4%
Average per eligible employee[2]	39	40	2.5%	6	7	17%	12	45	13.8%

1 The Chief Executive Officer's remuneration disclosed in the table above has been calculated to take into account base salary, taxable benefits excluding pension and annual bonus (including any amount deferred). In order to provide meaningful comparison of the remuneration for the CEO role 2018 remuneration comprises Wayne Sheppard's remuneration for the period January-March 2018 and Joe Hudson's remuneration for the period April-December 2018.
2 The pay for eligible employees in continuing operations has been calculated using the following elements: annual salary – base salary and standard monthly allowances; taxable benefits – car allowance and private medical insurance premiums; annual bonus – Company bonus, management bonus, commission and incentive payments.

<table>
<tr><th>Area</th><th>Considerations</th></tr>
<tr><td>Gender pay</td><td>
The UK Government Equalities Office legislation requires employers with 250 or more employees in the UK to disclose annually information on their gender pay gap. The third disclosure of the pay gap is based on amounts paid in the year to 5 April 2019. The bonus gap is based on incentives paid in respect of the year to 5 April 2019. As Ibstock Brick is the largest employing entity, we have chosen to report these figures in this report. We are committed to regular analysis and monitoring of pay where we will continue to work to remedy any gap that we have.
The mean gender pay gap at Ibstock Brick is 9% which is lower than the UK average of 17.3%. We continue to work hard to encourage more females into the business. Our current employee population reflects the traditional nature of the industry, with 85% of roles being occupied by men, including a high percentage of males employed in factory based production roles. This can clearly be seen in the quartiles set out below, which show the number of male and female employees in each pay quartile:
Quartile A (lowest)
1 Male: 65%
2 Female: 35%


Quartile B
1 Male: 92%
2 Female: 8%


Quartile C
1 Male: 90%
2 Female: 10%


Quartile D (highest)
1 Male: 91%
2 Female: 9%


Note: The figures quoted above are for the Ibstock Brick entity of Ibstock plc only.
</td></tr>
<tr><td>Diversity policy</td><td>In 2019 we developed a number of initiatives focused on supporting women at Ibstock at the start of their career, with Ibstock Brick shortlisted for Most Inspiring Apprenticeship Programme award, as well as at more senior levels in the organisation, with Kate Tinsley recognised at the Leicestershire Live Women in Business Awards 2019.</td></tr>
</table>

Informing the Committee on the wider workforce

To build the Committee's understanding of reward arrangements applicable to the wider workforce, the Committee was provided with data on the remuneration arrangements for all employees across the Group. The Committee annually reviews the pay proposals for the senior executives/senior management team, including annual bonus targets and outcomes and long-term incentives, and is aware of the pay increases awarded to the broader employee population. The Committee uses this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

Workforce engagement

In August 2019 the Group launched its first ever employee forum called The Listening Post. Under the initiative the CEO and one of the Non-Executive Directors, together with certain members of the Executive Leadership Team, will meet twice a year with nominated employee champions elected from all parts of the Business to discuss the Group, how it is performing and to identify potential areas for improvement.

The Listening Post will operate as an additional method of continuing to engage with our people in the future of our business and its continuing success.

The employee champions are responsible for channelling the views and opinions of their colleagues into the discussions. Although the Group already has many different ways of engaging with the workforce, the Listening Post provides a more formal framework for this to be achieved. The Board is keen to use this framework as a means by which it can enhance mutual understanding about issues that impact our people and harness collective suggestions about how we can improve to delight our customers and preserve our market leading positions.

The Listening Post is intended to be a positive two way exchange of information, ideas and suggestions that we hope will deliver tangible business results.

The first Listening Post meeting took place at the Leicester Head Office on 28 November 2019 at our Head Office in Leicester.

Remuneration justification

The Committee is comfortable that the pay relativity reference points set out above provide justification that the application of the Policy is appropriate.

On the following pages we provide a detailed description of the 2019 Executive Directors' pay outcomes and supporting information.

Annual Report on Remuneration
continued

Single total figure of remuneration (audited)

Executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2019 financial year to 31 December 2019.

Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

Executive Directors	Period	Salary	Taxable benefits[1]	Bonus	LTIP	Pension	Other[2]	Total
Joe Hudson (CEO)	2019	£445,875	£17,806	£184,434	N/A	£89,172	N/A	£737,287
Joe Hudson (CEO)[3]	2018	£435,000	£18,996	£176,719	N/A	£87,000	£57,592	£775,307
Chris McLeish (CFO)[4]	2019	£125,000	£6,250	£49,831	N/A	£12,500	£237,819	£431,400
Chris McLeish (CFO)	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kevin Sims (outgoing CFO)[5]	2019	£207,184	£10,427	£90,362	£171,241	£41,432	N/A	£520,646
Kevin Sims (outgoing CFO)	2018	£303,197	£15,676	£111,804	N/A	£60,639	N/A	£491,232

1 Taxable benefits included company car allowance, private health cover and death in service cover.
2 For Chris McLeish this includes a buyout award granted in 2019 to compensate, on a fair value basis, the value foregone for share awards forfeited on cessation of employment with his previous employer. For details regarding the buyout award please see page 81. For Joe Hudson this includes a buyout award granted in 2018 to compensate, on a fair value basis, the value foregone for share awards forfeited on cessation of employment with his previous employer. The full details regarding the buyout award were provided in the 2018 DRR.
3 Joe Hudson joined the Board on 2 January 2018 and became the CEO on 4 April 2018. His 2018 remuneration is pro-rated to reflect this.
4 Chris McLeish joined the Board on 1 August 2019 and became CFO on 31 August 2019. His 2019 remuneration is pro-rated to reflect this.
5 Kevin Sims stepped down as CFO on 31 August 2019. His 2019 remuneration is pro-rated to reflect this.

Taxable benefits (Audited)

Benefits in the 2019 financial year comprised a company car allowance, private health cover and death in service cover. Joe Hudson, Chris McLeish and Kevin Sims were entitled to receive car allowances of £18,000, £15,000 and £15,000 per annum, respectively. The actual amounts received for the 2019 financial year are shown as part of the total taxable benefits figure above.

Bonus (Audited)

Details of the targets used to determine bonuses in respect of the 2019 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Performance condition	Weighting	Threshold performance required	Maximum performance required	Actual performance	Percentage of maximum performance achieved[1]	Bonus value achieved: Joe Hudson	Chris McLeish[2]	Kevin Sims[3]
Adjusted EBITDA	30%	£112.8	£127.4	£115.1	16.2%	£27,263	£7,643	£12,668
Adjusted operating cash flow	20%	£82.9	£93.6	£62.9	0%	–	–	–
ROCE[4]	20%	17.5%	18.5%	16.8%	0%	–	–	–
Non-financial objectives	30%	Achievement of the personal objectives for 2019 are outlined below.			27%-30%	£157,171	£42,188	£77,694
Total	100%				31.9%-34.9%	£184,434	£49,831	£90,362

1 Under the terms of the 2019 annual bonus, 0% for each element is payable for achieving the threshold performance, 50% for achieving target performance and 100% for achieving maximum performance. One third of any bonus is deferred for three years into Company shares subject to continued employment.
2 Chris McLeish joined the Board on 1 August 2019 and became CFO on 31 August 2019. His 2019 remuneration is pro-rated to reflect this.
3 Kevin Sims stepped down as CFO on 31 August 2019. His 2019 remuneration is pro-rated to reflect this.
4 Figures for the Group's ROCE performance and adjusted operating cash flow differ from those reported on page 45 due to differing adjustments.

The Committee therefore concluded that it would be appropriate to award bonuses to the Executive Directors in respect of the 2019 annual bonus targets. The CEO was awarded a bonus of 41.4% of salary and the CFO was awarded a bonus of 39.9% of salary. The outgoing CFO was awarded a bonus of 43.6% of pro-rated salary. Full details of the bonus targets and performance against these are set out above.

Two-thirds of the 2019 bonus will be paid in cash and one-third will be deferred into shares for a period of three years.

Personal objectives for the CEO and CFO for the 2019 financial year and the associated outcomes are outlined below:

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Joe Hudson	Complete the transitions, onboarding and development of the Executive Leadership Team and Key leaders.	Several new appointments completed to the Executive Leadership Team and appointment of Kate Tinsley to the board.	100%
	Complete reorganisation and deliver cost saving synergies (Yr 1).	Reorganisation of key roles and responsibilities as part of the broader restructuring and associated savings largely completed.	75%
	Deliver year one of Enhancement projects and complete maintenance plan/Continuous Improvement roadmap.	All year one deliverables were delivered including the maintenance plan/CI roadmap.	100%
	Develop marketing plan repositioning of Brand & customer segments/commercial excellence Targets.	Marketing plan including customer segmentation and brand reposition activities delivered.	100%
	Identify and progress acquisition targets, complete strategy review.	Strategy review completed. Acquisition target development largely completed.	85%

The Committee determined that overall performance against these objectives was strong and equates to a 94% achievement for this element of the bonus (28% of maximum annual bonus opportunity).

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Kevin Sims	Support Chris McLeish during the handover period. This will include investor meetings, meeting support, advisor introductions in addition to general advice.	Handover to the new CFO and all actions were fully completed.	100%
	Work with the CEO and the Board to find an appropriate replacement for the retiring Group Company Secretary, ensuring an appropriate handover is achieved.	New Company Secretary appointment and handover were completed by November 2019.	100%
	Complete the final stage of the finance team restructuring, including the support structure for the new concrete business.	The finance team restructuring in support of the Concrete business support structure was delivered as planned.	100%
	Work with the trustees and Company to appoint a successor as chair of the trustees. Produce a strategy document for the scheme going forward as a guide for the Company.	Work with the trustees to appoint a successor was delivered along with the strategy guide to the company.	100%

The Committee determined that overall performance against these objectives was strong and equates to a 100% achievement for this element of the bonus (30% of maximum annual bonus opportunity).

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Chris McLeish	Clarify and upgrade Finance operating model by 31 December 2019.	All activities and associated deliverables in respect of the finance operating model were agreed and implemented as planned.	100%
	Put in place performance management processes which establish a clear view of operating plans for 2019 and which drive interventions to course correct for any performance gaps.	Identification and introduction of performance management processes in support of operating plan interventions was completed during the year.	100%
	Build a budget for 2020 which sets the business up for success (including a fundamental cost review). Establish the structure of, and governance over, a programme to drive organisational change at necessary pace.	A full bottom-up budgeting exercise was completed as was the associated cost review. This has provided the foundation for supporting and driving organisational change. Development of the relevant structures and transformation plans are progressing.	75%
	Engage Executive Leadership team in clarifying IT status and commit to strategic roadmap to underpin business growth.	IT roadmap development was completed as planned.	100%
	Assess risk management baseline and set up a resourced, achievable plan to deliver any required improvements.	Risk assessment baseline largely completed. Plan to deliver improvements is being developed.	75%

The Committee determined that overall performance against these objectives was strong and equates to an 90% achievement for this element of the bonus (27% of maximum annual bonus opportunity).

As set out above, no discretion was exercised by the Committee in relation to the outcome of the bonus awards.

Annual Report on Remuneration
continued

Long-term incentives awarded in 2019 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2019 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Award type	Date of grant	Shares awarded	Face value on the date of grant[1]	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Joe Hudson (CEO)	LTIP	03/05/2019	170,181	445,874	25	100	Relative TSR and EPS
Chris McLeish (incoming CFO)	LTIP	12/08/2019	170,145	375,000	25	100	Relative TSR and EPS

1 Share price by reference to which the CEO's award was granted is £2.62 (closing share price on 2 May 2019);

CFO's award was granted at a share price of £2.20 (closing share price on 9 August 2019).

The CEO was granted an award of 100% of base salary in the form of nil-cost share options and vesting will be subject to achieving a challenging sliding scale of adjusted EPS and relative TSR against the FTSE 250 construction and building materials companies over a three-year performance period ending on 3 May 2022.

The incoming CFO was granted an award of 125% of his base salary. The additional 25% was negotiated as part of Chris McLeish's recruitment from Tate & Lyle plc in lieu of one of the Tate & Lyle share awards that was not covered under his buyout arrangements. The performance schedule for these measures is as follows:

Measure	Weighting	Threshold	Maximum
Relative TSR	50%	Median	Upper quartile
Adjusted EPS growth	50%	6% per annum	12% per annum

Relative TSR will be measured from the date of grant over a three-year period (with one-month averaging of TSR used to derive the start and the end values for the calculation). Adjusted EPS growth will be measured over three consecutive financial years with the base point for the 2019 award derived from the adjusted EPS as at 31 December 2018.

A two-year post-vesting holding period applies to 2019 LTIP awards.

Long-term incentives vested in 2019

The three-year performance period for the 2016 LTIP awards, granted on 18 April 2016, expired on 18 April 2019. The Committee reviewed the performance against the two performance conditions and has determined an overall vesting level of 38.52%.

The value for the 2016 LTIP awards in the single total figure of remuneration table and below is based on the Company's share price of £2.61 pence per share, being the closing share price on 18 April 2019.

Performance condition	Weighting	Threshold performance required	Maximum performance required	Actual performance	Percentage of maximum performance achieved[1]	LTIP value achieved for Kevin Sims	Value attributable to share price growth
Relative TSR	50%	16.29% growth	55.94% growth	41.36% growth	77.04%	£171,241	£37,386
Adjusted EPS growth	50%	6% p.a.	16% p.a.	10.2% p.a.	0%[1]	£0	£0
Total	100%				38.52%	£171,241	£37,386

1 Although the adjusted EPS growth was in excess of the threshold, the Remuneration Committee determined that it would be fair and reasonable to exclude the exceptional profit on disposal of surplus property from the calculation. With this exceptional item excluded, vesting of the EPS element of the award was nil.

Other remuneration paid in 2019

As disclosed in the 2018 Annual Report, a buyout package for incentives foregone in respect of Chris McLeish's role at Tate & Lyle plc was provided to facilitate his recruitment as CFO. In line with the Company's recruitment policy, when determining the package the Committee considered the structure of Tate & Lyle plc incentive arrangements, the proportion of the performance period completed, the associated performance conditions and the likelihood of vesting.

The Committee determined that Chris McLeish would be entitled to an award of nil-cost options over 60,393 Ibstock Shares as part of the buyout arrangements. The award was granted on 12 August 2019. The fair value of the award has been reduced to take account of the original performance period and the proportion of satisfaction of the performance conditions as at the time of the buyout. The Committee determined the buyout share package on a fair value basis with time-based vesting applied. The buyout award will vest in two instalments on 31 March 2020 and 31 March 2021 subject to Tate & Lyle plc performance conditions, in line with the vesting schedule of the original Tate & Lyle plc awards.

The table below sets out the details and vesting schedule of the buyout award.

	Number of nil-cost options granted[1]	Date of grant	Date of vesting	Face value on date of grant	Performance conditions
Buyout award	60,393	12/08/2019	31/03/2020 31/03/2021	£139,870	Continued employment

1 At the time of recruitment the number of outstanding shares was reduced pro-rata based on the proportion of the vesting period served and converted to Ibstock shares based on the share price of £2.32 on the date of appointment. The number of shares which will be released as a result of vesting of the above awards will be adjusted up or down in line with the level of vesting of the original Tate & Lyle plc awards.

In addition, in order to compensate the value of the 2018 bonus foregone by Chris on cessation, the Company provided a one-off cash payment of £97,949. This payment was made in line with the remuneration policy provisions with regards to new Board appointments. The Committee considered it reasonable to make the payment in cash rather than shares, given that the original bonus payment foregone on cessation was cash-based.

Pension entitlements (audited)

The Company's Defined Benefit Scheme was closed in 2017. From 1 February 2017, Executive Directors have been receiving a salary supplement in lieu of pension contributions.

Additionally, under the new Policy approved at the 2019 AGM, the CEO and the outgoing CFO receive a 20% salary supplement in lieu of pension contributions. The incoming CFO and any new Executive Directors are entitled to a 10% salary supplement which is in line with the contribution levels available to the broader workforce.

Kevin Sims was the only Executive Director during the financial year who previously participated in the Defined Benefit scheme.

The table below outlines the accrued pension amounts for the outgoing CFO, the valuation of the defined benefit accruals made in the financial year calculated in accordance with the reporting guidelines and the pensions salary supplement, to derive a pensions benefit value for the single total figure of remuneration.

			Accrued pension		Single figure numbers		Extra information disclosed under the Directors' Remuneration Regulations	
Executive Directors	**Age at 31 December 2019**	**Pensionable service at 31 December 2019**	As at 31 December 2018	**As at 31 December 2019**	Salary supplement	Value x 20 over increase in year (net of Director's contribution)	Total pension benefits	Normal retirement age
Kevin Sims[1]	**58**	**33**	£71,787	**£71,787**	£41,437	£0	£41,437	60

1 Kevin Sims stepped down as CFO and from the Board on 31 August 2019.

Annual Report on Remuneration
continued

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration for each Non-Executive Director.

Non-Executive Directors	2018 fees	**2019 fees**	Roles
Jonathan Nicholls	£131,558	**£179,375**	Independent Non-Executive Chairman
Tracey Graham	£63,025	**£66,625**	Senior Independent Non-Executive Director
Justin Read	£56,051	**£61,500**	Non-Executive Director
Louis Eperjesi	£29,167	**£51,250**	Non-Executive Director
Claire Hawkings	£16,667	**£51,250**	Non-Executive Director

Payments to outgoing CFO

Kevin Sims stepped down from his role as CFO upon retirement on 31 August 2019 but was available to the Group as required until the end of 2019. In line with Ibstock's policy for loss of office and the rules of the ADBP and the LTIP, the Committee determined he was a good leaver. As a result he was entitled to the following:

Element	Treatment applied
Salary	Salary paid in full until 31 August 2019. Salary paid on a zero hours contract from 31 August 2019 until 31 December 2019, at a rate of £5,976 per week. In the event, £2,237.10 was paid to Kevin between 31 August 2019 and 31 December 2019.
Benefits	Life assurance and private medical cover provided until 31 December 2019. Car allowance provided in full until 31 August 2019 plus £288 for each additional week worked under the zero hours contract. Entitled to holiday accrued until 31 August 2019. In the event, nothing was paid to Kevin in respect of benefits during this period.
Pension	Pension paid in full until 31 August 2019 plus £1,195 for each additional week worked under the zero hours contract. In the event, nothing was paid to Kevin in respect of pension during this period.
ADBP cash awards	Pro-rata 2019 bonus was awarded to reflect time as CFO during the financial year, subject to achievement of performance conditions at the end of the year as disclosed in the single figure table.
ADBP share awards	Deferred share awards made under the annual bonus plan in 2017, 2018 and 2019 will vest at the normal vesting dates.
LTIP	LTIP awards granted in 2017 and 2018 will vest at the normal vesting dates, subject to achievement of the relevant performance conditions. All unvested awards will be reduced to reflect the proportion of each performance period completed as at 31 December 2019. Kevin did not receive an award under the plan for 2019.

Payments to past Directors (audited)

Wayne Sheppard stepped down from his role as CEO upon retirement on 4 April 2018. He remained as an employee of the Company until 31 December 2018 in order to maintain a smooth transition following Joe Hudson's appointment as the new Chief Executive Officer. His leaving arrangements, which were fully disclosed in the 2018 Annual Report, included that any outstanding awards that he held under the Company's share plans were retained, but time apportioned up to 31 December 2018.

During the period ending 31 December 2019, Wayne Sheppard's 2016 LTIP vested on 18 April 2019. Details of performance assessment are presented on page 80. The table below sets out the number of shares vested for the former CEO.

Name	Award type	Date of grant	Date of vesting	Shares awarded	Shares vested (after pro-ration for time served and performance assessment)	Value of shares at the vesting date
Wayne Sheppard (former CEO)	Nil-cost options	18/04/2016	18/04/2019	217,502	74,472	£194,223

The value for the 2016 LTIP awards is based on the Company's share price of £2.61 pence per share, being the closing share price on 18 April 2019.

Statement of Directors' shareholding and share interests (audited)

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. The CEO and CFO, having only joined the Company in 2018 and 2019 respectively, are expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary.

In line with the Policy, interests which count towards the shareholding requirement include deferred shares at their net-of-tax value and shares subject to a holding period at their full value. Additionally, Executive Directors' shares will be subject to a post-cessation of employment shareholding requirement of 100% of pre-cessation shareholding requirement for one year following cessation, reducing to 50% for a second year.

			Shares held directly	Other interests held				
Directors	Shareholding requirement % salary	Current shareholding[1] % salary	Beneficially owned	Interests subject to performance conditions	Interests not subject to performance conditions	Vested but unexercised interests	Outstanding SAYE awards[2]	Shareholding requirement met?
Joe Hudson	200%	11%	–	320,181	50,512	N/A	N/A	No
Chris McLeish	200%	20%	–	170,145	60,393[3]	N/A	N/A	No
Kevin Sims[2]	200%	984%	2,924,558	186,354	68,683	65,660	N/A	Yes
Jonathan Nicholls	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Tracey Graham	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Justin Read	N/A	N/A	17,500	N/A	N/A	N/A	N/A	N/A
Louis Eperjesi	N/A	N/A	20,000	N/A	N/A	N/A	N/A	N/A
Claire Hawkings	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A

1 As at 31 December 2019 (unless stated otherwise). This was based on a closing share price of £3.15 at 31 December 2019 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
2 Kevin Sims stepped down during the year and his shareholding is disclosed at the date of resignation.
3 This includes a buyout award granted in 2019 to Chris McLeish to compensate, on a fair value basis, the value foregone for share awards forfeited on cessation of employment with his previous employer. This is subject to Tate & Lyle plc performance conditions. For details regarding the buyout award please see page 81.

There were no changes in shareholdings from the year-end to the date of this report.

Executive Director contracts and letters of appointment for Chairman and Non-Executive Directors

Executive Directors

			Notice periods		
Name	Date of service contract	Nature of contract	From Company	From Director	Compensation provisions for early termination
Joe Hudson	2 January 2018	Rolling	12 months	12 months	None
Chris McLeish	1 August 2019	Rolling	12 months	12 months	None
Kevin Sims[1]	22 October 2015	Rolling	12 months	12 months	None

1 Kevin Sims stepped down on 31August 2019.

Non-Executive Directors

Name	Date of original appointment
Jonathan Nicholls	22 September 2015
Tracey Graham	3 February 2016
Justin Read	1 January 2017
Louis Eperjesi	1 June 2018
Claire Hawkings	1 September 2018

The Committee's policy for setting notice periods is that a 12-month period will apply for Executive Directors.

The Non-Executive Directors of the Company (including the Chairman) do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. These are available for inspection at the Company's registered office. Each independent Non-Executive Director's term of office runs for a three-year period.

The initial terms of the Non-Executive Directors' positions are subject to their re-election by the Company's shareholders at the AGM and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

All Directors wishing to continue to serve will be put forward for election/re-election by shareholders on an annual basis.

Fees retained for external Non-Executive Directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. Current Executive Directors do not hold any external directorships in other listed companies.

Annual Report on Remuneration
continued

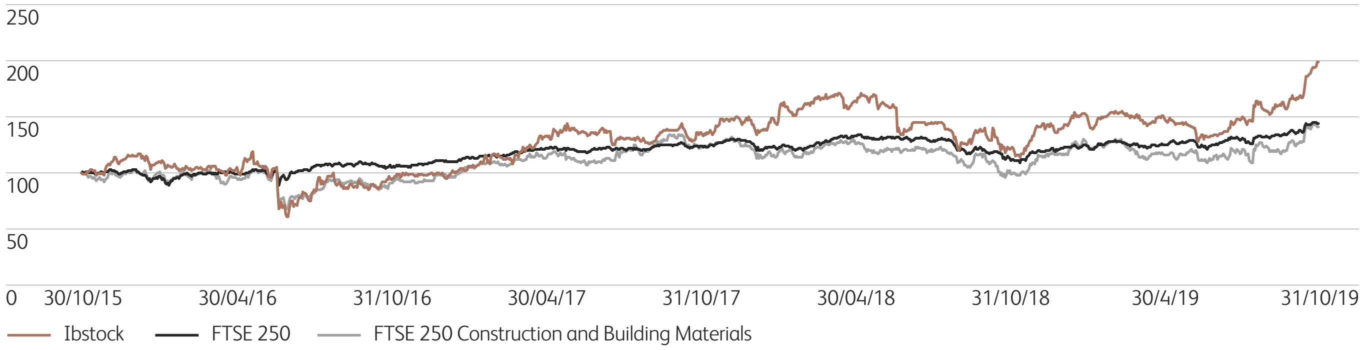
Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Building materials companies. The graph shows the Total Shareholder Return generated by both the movement in share value and reinvestment over the same period of dividend income.

The Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this index since listing. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 27 October 2015 and therefore only has a listed share price for the period of 27 October 2015 to 31 December 2019. Additionally, the FTSE 250 Construction and Building materials comparator group is shown as it is used to assess the relative TSR performance under the Company's Long-Term Incentive Plan from 2019 onwards.

Total Shareholder Return

£100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Building Materials companies.



Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the CEO over the period 26 February 2015 to 31 December 2019, valued using the methodology applied to the single total figure of remuneration. There is no relevant data before 2015.

	Wayne Sheppard[1]				Joe Hudson[2]	
Chief Executive Officer	2015	2016	2017	2018	2018	**2019**
Single total figure	£773,309	£788,685	£906,300	£183,640	£592,039	£737,287
Annual bonus payment level achieved (% of maximum opportunity)	100%	33%	58%	32.5%	32.5%	33.1%
LTIP vesting level achieved (% of maximum opportunity)	N/A	N/A	N/A	N/A	N/A	N/A

1 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his remuneration for 2018 has been pro-rated.
2 Joe Hudson became CEO on 4 April 2018. His single figure only includes compensation paid to him in 2018 in his capacity as the CEO from 4 April to 31 December 2018 and doesn't include compensation paid to him as CEO designate before 4 April 2018.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2019 and 2018 financial years. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2018 financial year £'m	Disbursements from profit in 2019 financial year £'m	% change
Profit distributed by way of dividend	65	60.1	(8)%
Overall spend on pay including Executive Directors (continuing operations)	100.7	104.3	4%

Change in the Chief Executive Officer's remuneration compared with employees

	% increase/(decrease) in remuneration in 2019 compared with remuneration in 2018	
	CEO[1]	Employees
Salary	2.5%	2.5%
Annual bonus	4.4%	(17)%
Taxable benefits	6.3%	5%

1 In order to provide meaningful comparison of the remuneration for the CEO role, 2018 remuneration comprises Wayne Sheppard's remuneration for the period January-March 2018 and Joe Hudson's remuneration for the period April-December 2018.

Statement of voting at the general meeting

The current Policy was put to a binding vote at the 2019 AGM on 23 May 2019 and as such is due for renewal at the 2022 AGM. The Annual Report on Remuneration was also put to an advisory vote at the 2019 AGM on 23 May 2019. The voting outcomes are set out in the table below.

AGM resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast (excluding withheld)	Votes withheld
Annual Report on Remuneration (2019)	323,493,965	99.22%	2,531,617	0.78%	326,025,582	2,203,316
Directors' Remuneration Policy (2019)	325,074,186	99.71%	947,646	0.29%	326,021,832	2,207,066

Consideration by the Directors of matters relating to Directors' remuneration

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the Remuneration Policy and for determining specific packages for the Executive Directors and other selected members of the senior management team. The Company consults with key shareholders in respect of the Remuneration Policy and the introduction of new incentive arrangements.

The terms of reference for the Committee were reviewed in 2018 to align with the 2018 Code provisions. The annual review of the terms of reference was conducted during the year and are available on the Company's website, www.ibstockplc.co.uk/investor-relations, and from the Company Secretary at the registered office.

Our main responsibilities are:

- To determine and agree with the Board the broad Policy for the Executive Directors and the senior management team, including the Company Secretary;
- To review the ongoing appropriateness and relevance of the Policy, taking into consideration the 2018 Code and associated guidance;
- To ensure that the Policy drives behaviours consistent with Company purpose, values and strategy;
- To ensure that the Policy promotes effective engagement with shareholders and the workforce;
- To ensure remuneration structures and their operation are simple and easy to understand;
- To ensure that remuneration arrangements prevent excessive rewards and do not reward poor performance;
- To review wider workforce remuneration and related policies;
- To engage with the workforce regarding executive remuneration policy and wider Company pay policy; and
- To review any major changes in employee benefit structures throughout the Company or Group and to administer all aspects of any share scheme.

The Committee receives assistance from Nicola Hale (Group HR Director) as well as Robert Douglas, the outgoing Group Company Secretary who retired in November 2019, and Nick Giles, the new Group Company Secretary. Nicola Hale attends meetings by invitation, except when issues relating to her own remuneration are being discussed. The CEO and CFO attend by invitation on occasions.

Advisers to the Remuneration Committee

Following a selection process carried out by the Board prior to the IPO of the Company, the Committee has engaged the services of PricewaterhouseCoopers LLP ("PwC") as independent remuneration adviser. During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive team. PwC also provided the Company with tax and accountancy advice during the year. The Committee is satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £84,000 (2018: £70,000) were provided to PwC during the year in respect of remuneration advice received and were charged on a fixed fee basis. There are no connections between PwC and individual Directors to be disclosed.

Annual Report on Remuneration
continued

Implementation of our Remuneration Policy for the 2020 financial year

Our proposed implementation of the new Remuneration Policy for the 2020 financial year is set out below.

	Key elements and time period Year +1 +2 +3 +4 +5	Overview of Remuneration Policy implementation for 2020
Base salary		For 2020 base salaries will be: – Joe Hudson: £454,920 (2 % increase) – Chris McLeish: £306,000 (2 % increase) – Kate Tinsley: £295,000 Proposed salary increase is in line with the rises for all employees.
Pension		The maximum contribution into the defined contribution plan or salary supplement in lieu of pension is 20 % of gross base salary for Joe Hudson and 10 % of gross base salary for Chris McLeish and Kate Tinsley.
Benefits		Standard benefits will be provided, including car allowance (£18,000 for Joe Hudson, £15,000 for Chris McLeish and £12,000 for Kate Tinsley), private health cover and death in service cover.
Annual and Deferred Bonus Plan ("ADBP")	Cash Deferred award	For 2020 the maximum bonus opportunity will be 125 % of salary for Joe Hudson and Chris McLeish and 100 % of salary for Kate Tinsley. For 2020, the level of deferral in shares will be one-third of the bonus earned which will vest after three years based on continued employment with the Company. The Committee can determine the proportion of the bonus earned under the ADBP provided as an award of deferred shares to a maximum of 50 % of bonus earned. The performance conditions and their weightings for the 2020 annual bonus are as follows: – Adjusted EBITDA (50 %); – Adjusted operating cash flow (20 %); – Non-financial objectives: defined operational/strategic objectives alongside other key areas for executives (30 %). – The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the ADBP in advance would not be in shareholders' interests. Actual targets, performance achieved and awards made will be published at the end of the relevant performance period so shareholders can fully assess the basis for any payouts under the annual bonus.
LTIP		– In 2020 the maximum annual LTIP award of 150 % of salary will be awarded to Joe Hudson and Chris McLeish and an award of 125 % of salary will be awarded to Kate Tinsley. – The performance conditions for awards will be equally weighted between Adjusted Earnings per Share ("EPS") growth, comparative Total Shareholder Return ("TSR") and ROCE and assessed over a three-year performance period. – TSR performance of the Company compared to the FTSE 250 construction and building materials sector companies – with threshold vesting for median performance against the index and full vesting for upper quartile performance. – EPS growth – threshold performance at 3 % per annum growth and maximum performance at 10 % per annum growth, straight-line vesting between the points. – ROCE – threshold performance at 18.7 % and maximum performance of 20.8 % straight-line vesting between. – A two-year holding period will apply to the 2020 LTIP awards following vesting.
Non-Executive Directors' fees		The Non-Executive Director fees were increased by 2 % in line with increases awarded to the wider employee population the same as the previous year. The Senior Independent Director's fee was increased from £5,125 to £10,000 to reflect the additional time commitment in respect of this key role. The 2020 fee levels are: – Chairman – £182,963 – Board fee (including Committee membership) – £52,275 – Committee Chairmanship (per Committee) – £10,250 – Senior Independent Director – £10,000

Tracey Graham
Chair of the Remuneration Committee and Senior Independent Non-Executive Director
2 March 2020

The Directors present their report for the year ended 31 December 2019.

Management Report and Corporate Governance Statement

This Directors' Report and the Strategic Report on pages 1 to 89 together comprise the "Management Report" for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R. The Directors' Report, which incorporates by reference the Governance Report on pages 50 to 89, fulfils the requirements of the Corporate Governance Statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' Report by reference:

Information	Reported in	Pages
Corporate Governance	Governance report	50 to 67
	Statement of Directors' Responsibilities	89
Disclosures concerning Greenhouse Gas Emissions	Resources and relationships	33
Important events since the end of the financial year	Financial review	44 to 46
Likely future developments	Strategic Report	1 to 49
Results and dividends	Financial review	44 to 46
Research and development	Resources and relationships	30
Employment of disabled persons	Resources and relationships	28
Employee engagement	Resources and relationships	28
	Leadership and purpose	56
Engagement with suppliers, customers and others	Resources and relationships	29
	Leadership and purpose	56

Directors

The names and biographies of the Directors as at the date of this report are shown on pages 54 to 56. Kevin Sims also served as a Director during the year. He stepped down on 31 August 2019. Kate Tinsley was appointed to the Board on 1 January 2020.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders.

Share capital and control

Details of the Company's share capital are contained in Note 24 to the Group consolidated financial statements. The rights attaching to the shares are set out in the Articles of Association.

The Company has established a trust in connection with the Group's Share Incentive Plan (the "SIP"), which holds Ordinary Shares on trust for the benefit of employees of the Group. The trustees of the SIP trust may vote in respect of Ibstock shares held in the SIP trust, but only as instructed by participants in the SIP in accordance with the SIP trust deed and rules. The trustees will not otherwise vote in respect of shares held in the SIP trust.

The Trustee of the Employee Benefit Trust (the "Trust"), which is used to purchase shares on behalf of the Company as described in Note 25, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the Trustee adopts a policy of not voting in respect of such shares. In accordance with Listing Rule 9.8.4(c), the Company notes that the Trustee has a dividend waiver in place in respect of shares which are the beneficial property of the Trust.

Purchase of own shares

At the AGM held on 23 May 2019, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 40,886,706 Ordinary Shares, representing 10% of the Company's issued ordinary share capital as at the latest practicable date prior to publication of the AGM circular. The Directors are seeking renewal of the authority at the forthcoming AGM, in accordance with relevant institutional guidelines.

Substantial shareholdings

As at 31 December 2019, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its ordinary share capital.

Name of shareholder	Number of shares disclosed	% interest in issued share capital	Nature of holding
Vulcan Value Partners, LLC	32,680,802	7.99%	Indirect
Aviva plc and its subsidiaries	23,253,224	5.68%	Direct and Indirect
Franklin Templeton Fund Management Limited	21,176,009	5.21%	Indirect
Lansdowne Partners	20,591,969	5.03%	Indirect
J O Hambro Capital Management Limited	20,367,209	4.98%	Indirect
Blackrock Inc	20,209,764	4.93%	Indirect
Janus Henderson Group plc	–	Below 5%	Indirect

In the period from 31 December 2019 to the date of this report Blackrock Inc and Vulcan Value Partners LLC notified the Company that their shareholdings had increased to 20,804,809 (5.08%) and 28,421,865 (6.94%) respectively.

Information provided to the Company under the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information service and on the Company's website.

Significant agreements (change of control)

The Company is required to disclose any significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid.

The Company has committed debt facilities all of which are directly or indirectly subject to change of control provisions, albeit the facilities do not necessarily require mandatory prepayment on a change of control.

In the event of a takeover or other change of control (usually excluding an internal reorganisation), outstanding awards under the Group's incentive plans vest and become exercisable (including Annual Deferred Bonus Plan (ADBP) cash awards, ADBP share awards and Long Term Incentive Awards (LTIP) awards), to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable) unless determined otherwise by the Board in its discretion, in accordance with the rules of the plans. In certain circumstances, the Board may decide (with the agreement of the acquiring company) that awards will instead be cancelled in exchange for equivalent awards over shares in the acquiring company.

Directors' and Officers' liability insurance and indemnities

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Company has also entered into qualifying third party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006. These indemnities came into force on 22 October 2015 and remain in force as at the date of this Annual Report and Accounts.

Financial instruments

Details of the financial instruments used by the Group are set out in Note 23 to the Group consolidated financial statements, which are incorporated into this Directors' Report by reference. The Group's financial risk management objectives and policies are included in the Risk management overview on page 63 and in Note 23 of the Group consolidated financial statements.

Political donations

No political donations were made during the year ended 31 December 2019 (2018: £nil).

Annual General Meeting 2020

The AGM will be held on 21 May 2020 at 11:00 a.m. at 54 Hatton Garden, London EC1N 8HN. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report.

In accordance with the Code, and the Company's Articles of Association (which require Directors to submit themselves for annual re-election by shareholders), the Directors will all retire and will offer themselves for election or re-election at the forthcoming AGM. The Chairman has confirmed that the performance of all of the Directors continues to be effective and that they continue to demonstrate their commitment to the role. It is the Board's view that the information on pages 54 to 55 illustrates why the contribution of each Director is, and continues to be, important to the Company's long-term sustainable success.

Auditor

A resolution is to be proposed at the AGM for the re-appointment of Deloitte as auditor of the Company.

On behalf of the Board

Nick Giles
Company Secretary
2 March 2020

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and applicable law. Under company law the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group consolidated financial statements, International Accounting Standard No.1 requires Directors to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website (at https://www.ibstockplc.co.uk/) is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

Each person who is a Director of the Company as at the date of approval of this report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and

(b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibility Statement

The Directors in office as at 31 December 2019 and whose names and functions are given on pages 54 and 55 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business and strategy.

These statements were approved by the Board of Directors on 2 March 2019 and signed on its behalf by:

Joe Hudson
Chief Executive Officer
2 March 2020

Chris McLeish
Chief Financial Officer
2 March 2020

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ibstock plc (the "Company") and its subsidiaries (together, the "Group") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 33 to the consolidated financial statements and 1 to 11 to the company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Revenue recognition on bill and hold arrangements; and – Inflation, discount rate and mortality assumptions used in defined benefit pension scheme valuations.
Materiality	The materiality that we used for the Group financial statements was £4.4 million which was determined on the basis of profit before tax for continuing operations.
Scoping	We performed full scope audits on the Clay and Concrete components, Head Office entities and the consolidation process. Specific procedures were performed on the acquisition accounting for Longley Concrete which was acquired during 2019, plus a desktop review on the post-acquisition results and financial position of Longley Concrete at 31 December 2019.
Significant changes in our approach	There have been no changes to the key audit matters identified for the year ended 31 December 2019 compared to the year ended 31 December 2018. In 2018, specific procedures were performed by the UK audit team over the US component, Glen-Gery. No specific procedures have been performed on Glen-Gery in 2019 following its disposal in November 2018.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 34 to 39 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 52 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 47 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition on bill and hold arrangements

Key audit matter description	The UK Clay component has recognised revenue from bill and hold arrangements in December 2019. There is a risk that revenue is recognised in respect of bill and hold arrangements prior to acceptance and risks transferring to the customer. Changes in bill and hold revenue could improve adjusted EBITDA, which is a key performance measure, and so we have therefore identified bill and hold sales as our key audit matter and potential fraud risk in revenue. Revenue includes £2.2 million (2018: £6.6 million) relating to bill and hold arrangements of which £2.2 million (2018: £4.2 million) relates to inventory remaining at UK Clay sites as at 31 December 2019. This amount includes product sales, where shipment to the customer has not happened as at the balance sheet date, but revenue has been recognised in the year ended 31 December 2019 due to the risks of ownership having passed to the customer. Further information on bill and hold transactions can be found in note 1 and note 4 of the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: – obtained an understanding of the relevant controls and around the revenue process and tested the relevant controls to address the key audit matter in the UK Clay component; – reviewed management's paper on bill and hold arrangements which explains the purpose of the arrangements; – selected a sample of bill and hold transactions and inspected the supporting documentation, including invoice terms to assess whether they meet the revenue recognition criteria in IFRS 15 Revenue from Contracts with Customers; – selected a sample of trade receivables relating to bill and hold revenue and traced to subsequent cash receipts; – agreed that the inventory is separately identifiable by observing the quarantine of the bill and hold inventory through photographic evidence and physical inspection; – reviewed the contracts between UK Clay and the customer to assess whether it is probable that delivery will be made and to confirm that the customer acknowledges delivery instructions; – performed a review of weekly sales for the UK Clay and the UK Concrete components to identify any unusual trends that might indicate additional bill and hold revenue not previously disclosed to us; and – performed a retrospective review of bill and hold arrangements from 2018 to assess whether the inventory was delivered in the agreed timeframe and checked that there has been no subsequent refund of the bill and hold sales invoices previously paid on normal commercial terms.
Key observations	No issues have been noted in the procedures performed and we concluded that revenue was recognised in accordance with the accounting policy of the Group and IFRS 15 Revenue.

5. Key audit matters continued

5.2. Inflation, discount rate and mortality assumptions used in defined benefit pension scheme valuations

Key audit matter description	The Group has a net defined benefit pension asset of £88.7 million (2018: £80.7 million) as at 31 December 2019. We consider inflation, discount rate and mortality assumptions used in the defined benefit pension scheme valuation a key audit matter due to the sensitivity of the liability balance to changes in these inputs. Judgements made in valuing the defined benefit pension scheme liabilities can have a significant impact on the valuation of the liability. Further information on inflation, discount rate and mortality assumptions used in defined benefit pension scheme valuations can be found in the Audit Committee Report on page 78, note 2 (Critical accounting judgements and key sources of estimation uncertainty) on page 129 and note 21 (Post-employment benefit obligations) on page 148.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: – obtained an understanding of the relevant controls over the inputs adopted to calculate the defined benefit pension liability; – assessed the appropriateness of the inflation, discount rate and mortality assumptions used in respect of the UK scheme by comparing rates adopted by Ibstock plc for the year ended 31 December 2019 against our expectation determined by internal benchmarks and comparator schemes; and – considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit scheme liabilities to changes in these key assumptions.
Key observations	No issues have been noted in the procedures performed and we concluded that the key assumptions applied in respect of the valuation of the defined benefit pension scheme liabilities are in the middle of our reasonable range.

6. Our application of materiality

6.1. Materiality

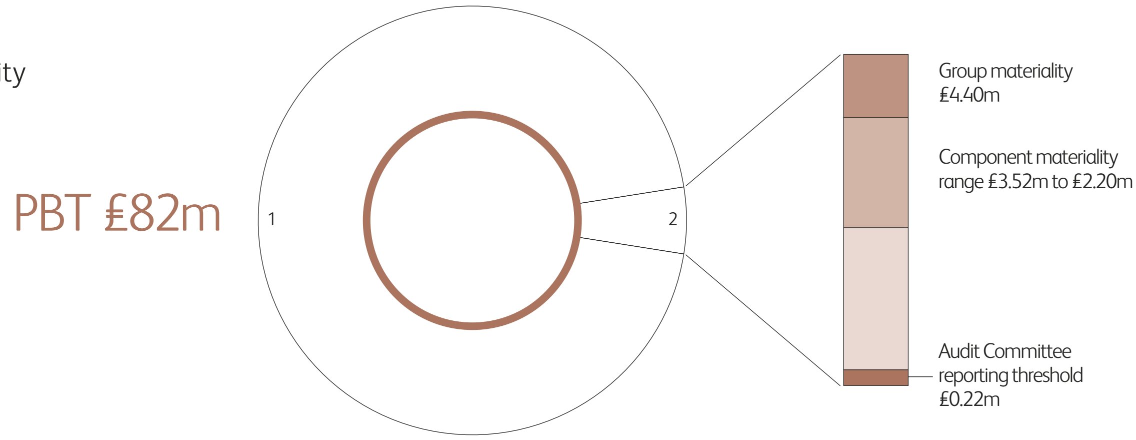
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£4.4 million (2018: £5 million)	£3.52 million (2018: £3.75 million)
Basis for determining materiality	Approximately 5.5% (2018: 5.5%) of pre-tax profit from continuing operations.	3% of net assets (2018: 3%), capped at 80% of Group materiality (2018: 75%).
Rationale for the benchmark applied	Consistent with the year ended 31 December 2018, we have selected profit before tax as our benchmark as it is the key focus for shareholders in assessing the performance of the Group.	Net assets are considered to be an appropriate benchmark for the Company given that it is mainly a holding company. A set percentage of Group materiality was applied to the Company based upon the scoping of components, assessing the risk within the Company compared to others within the Group.

Materiality

1 PBT
2 Group materiality



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

a. No significant deficiencies identified within the control environment with a controls reliance approach taken over the business cycles specifically noted in section 7.2 of this report;

b. No significant changes in the business, other than the acquisition of Longley Concrete;

c. Our risk assessment did not identify a disproportionate number of significant risks of material misstatement; and

d. A low number of uncorrected misstatements identified in previous years and in the current year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £220,000 (2018: £250,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at a Group level.

In the year ended 31 December 2018, component materiality was determined for each of the UK trading components: Brick, Forticrete and Supreme (including Anderton) and the US component Glen-Gery. Following the disposal of Glen-Gery in 2018, the Group has reassessed the Group's reportable segments as UK Clay and UK Concrete, as detailed in note 4 of the consolidated financial statements.

The UK Concrete division was created in early 2019, bringing together its three concrete brands: Forticrete, Supreme and Anderton. Component materiality for the year ended 31 December 2019 has been determined for the UK Clay (£3.52 million) and UK Concrete (£2.20 million) components.

Full scope audit procedures were performed on the UK Clay (Ibstock Brick) and UK Concrete (Forticrete, Supreme and Anderton) components. Our audit work for Ibstock Brick and Forticrete was executed at levels of materiality applicable to each individual entity which were lower than the respective component materiality ranging from £1.0 million to £3.52 million. Our audit work for Supreme and Anderton was performed to the UK Concrete component materiality.

Specific procedures were performed on the acquisition accounting for Longley Concrete which was acquired in July 2019, plus a desktop review on the post-acquisition results and the financial position of Longley Concrete at 31 December 2019.

At the Group level, we also tested head office entities and the consolidation process. In total, this provided coverage of 98% of revenue (2018: 80%), 99% of profit before tax (2018: 97%) and 98% of the net assets (2018: 85%).

All work has been performed by the Group engagement team.

7.2. Our consideration of the control environment

The Group uses JD Edwards in all of its legal entities, with the exception of Longley Concrete which was acquired during the year.

We utilised our IT specialists to assess and test relevant controls over the JD Edwards system.

From our walkthroughs and understanding of the entity and the controls at the business cycle and account balance levels, we relied on controls over the following business cycles in Ibstock Brick within the UK Clay component and Forticrete within the UK Concrete component:

- trade receivables;
- payroll; and
- expenditure including trade payables.

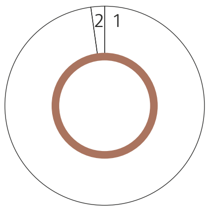
For each relevant control identified in the business cycles where we planned to take controls reliance, we obtained an understanding of the relevant controls and tested the relevant controls. We tested the relevant controls on a three-year rotation cycle with at least one relevant control from each business cycle in scope each year.

We were able to rely on controls and thus we followed a controls reliance approach for these business cycles.

We did not plan to take a controls reliance approach in Supreme and Anderton due to the businesses transferring onto the JD Edwards accounting system on 1 January 2019, with an exercise undertaken to implement new controls throughout the year to further strengthen the control environment.

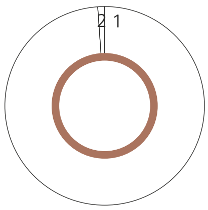
Revenue

1 Full audit scope: 98%
2 Review at Group level: 2%



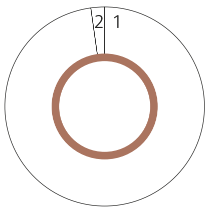
Profit before tax

1 Full audit scope: 99%
2 Review at Group level: 1%



Net assets

1 Full audit scope: 98%
2 Review at Group level: 2%



8. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board on 10 December 2019;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations including the Group's Code of Business Conduct, the Anti-bribery and Corruption Policy, the Trade Association Policy, the Competition Law and Compliance Policy and the whistleblowing procedure.
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, pensions, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition on bill and hold arrangements. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included employment law, occupational health and safety regulations, the Environment Act, the Water Framework Directive, the Waste Directive, the Environmental Protection Act and the Energy Efficiency Directive.

11.2. Audit response to risks identified
As a result of performing the above, we identified revenue recognition on bill and hold arrangements as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and Group Company Secretary concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 24 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ended 31 December 2017 to 31 December 2019.

14.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Dodworth
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
2 March 2020

Consolidated income statement

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Continuing operations			
Revenue	4	**409,257**	391,402
Cost of sales	6	**(250,008)**	(236,994)
Gross profit		**159,249**	154,408
Distribution costs		**(42,052)**	(39,749)
Administrative expenses before exceptional items		**(34,633)**	(31,116)
Exceptional administrative items	5	**(2,833)**	(1,447)
Administrative expenses		**(37,466)**	(32,563)
Profit on disposal of property, plant and equipment		**1,773**	1,735
Exceptional profit on disposal of property, plant and equipment	5	**–**	9,472
Total profit on disposal of property, plant and equipment		**1,773**	11,207
Other income		**3,458**	3,036
Other expenses		**(939)**	(348)
Operating profit		**84,023**	95,991
Finance costs	8	**(4,735)**	(4,737)
Finance income	9	**2,703**	1,262
Net finance cost		**(2,032)**	(3,475)
Profit before taxation		**81,991**	92,516
Taxation	10	**(15,516)**	(16,102)
(Loss)/profit from continuing operations		**66,475**	76,414
Discontinued operations			
Profit from discontinued operations, net of tax		**(383)**	652
Profit		**66,092**	77,066
Profit attributable to:			
Owners of the Parent		**66,092**	77,066
Profit attributable to:			
Continuing operations		**66,475**	76,414
Discontinued operations		**(383)**	652
		66,092	77,066

	Notes	pence per share	pence per share
Earnings per share			
Basic – continuing operations	12	**16.3**	18.8
Basic – discontinued operations	12	**(0.1)**	0.2
		16.2	19.0
Diluted – continuing operations	12	**16.1**	18.6
Diluted – discontinued operations	12	**(0.1)**	0.2
		16.0	18.8

The notes on pages 102 to 133 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit for the financial year		**66,092**	77,066
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit assets and obligations[1]	21	**5,005**	28,892
Related tax movements[1]	10	**(851)**	(5,357)
		4,154	23,535
Items that may be subsequently reclassified to profit or loss			
Currency translation differences – discontinued operations[2]		**–**	3,157
Reclassification of accumulated translation differences on disposal of subsidiary undertaking[2]		**–**	(11,347)
		–	(8,190)
Other comprehensive income for the year net of tax		**4,154**	15,345
Total comprehensive income for the year, net of tax		**70,246**	92,411
Total comprehensive income attributable to:			
Owners of the Parent		**70,246**	92,411

1 Impacting retained earnings
2 Impacting the currency translation reserve

The notes on pages 102 to 133 form an integral part of these consolidated financial statements.

Non-GAAP measure
Reconciliation of adjusted EBITDA to Operating profit for the financial year for continuing operations

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Adjusted EBITDA		**122,265**	112,371
Add back exceptional items impacting EBITDA	5	**(2,833)**	8,025
Less depreciation and amortisation	6	**(35,409)**	(24,405)
Operating profit		**84,023**	95,991

NB. Due to the implementation of IFRS 16, Adjusted EBITDA is not directly comparable between 2019 and 2018. Further details of the impact of IFRS 16 are included within Note 3.

Consolidated balance sheet

	Notes	31 December 2019 £'000	31 December 2018 £'000
Assets			
Non-current assets			
Intangible assets	13	**102,594**	100,587
Property, plant and equipment	14	**386,255**	365,478
Right-of-use assets	27	**30,479**	–
Post-employment benefit asset	21	**88,656**	80,705
		607,984	546,770
Current assets			
Inventories	15	**84,327**	68,426
Trade and other receivables	16	**58,088**	55,733
Cash and cash equivalents		**19,494**	36,048
		161,909	160,207
Assets held for sale	17	**1,186**	–
Total assets		**771,079**	706,977
Current liabilities			
Trade and other payables	18	**(88,150)**	(92,447)
Borrowings	19	**(395)**	(548)
Lease liabilities	27	**(6,586)**	–
Current tax payable		**(6,350)**	(6,357)
Provisions	20	**(738)**	(783)
		(102,219)	(100,135)
Net current assets		**60,876**	60,072
Total assets less current liabilities		**668,860**	606,842
Non-current liabilities			
Borrowings	19	**(103,950)**	(83,882)
Lease liabilities	27	**(23,775)**	–
Deferred tax liabilities	22	**(69,655)**	(67,336)
Provisions	20	**(7,179)**	(7,593)
		(204,559)	(158,811)
Total liabilities		**(306,778)**	(258,946)
Net assets		**464,301**	448,031
Equity			
Share capital	24	**4,093**	4,065
Share premium	25	**7,441**	917
Retained earnings		**822,321**	813,851
Merger reserve	25	**(369,119)**	(369,119)
Own shares held	25	**(435)**	(1,683)
Total equity		**464,301**	448,031

The notes on pages 102 to 133 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board and authorised for issue on 2 March 2020. They were signed on its behalf by:

J Hudson
Director

C McLeish
Director

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve (See Note 25) £'000	Currency translation reserve £'000	Own shares held (see Note 25) £'000	Total equity attributable to owners £'000
Balance at 1 January 2019		**4,065**	**917**	**813,851**	**(369,119)**	**–**	**(1,683)**	**448,031**
Profit for the year		**–**	**–**	**66,092**	**–**	**–**	**–**	**66,092**
Other comprehensive income		**–**	**–**	**4,154**	**–**	**–**	**–**	**4,154**
Total comprehensive income for the year		**–**	**–**	**70,246**	**–**	**–**	**–**	**70,246**
Transactions with owners:								
Share based payments	26	**–**	**–**	**704**	**–**	**–**	**–**	**704**
Current tax on share based payment		**–**	**–**	**171**	**–**	**–**	**–**	**171**
Deferred tax on share based payment	22	**–**	**–**	**508**	**–**	**–**	**–**	**508**
Equity dividends paid	32	**–**	**–**	**(60,068)**	**–**	**–**	**–**	**(60,068)**
Purchase of own shares		**–**	**–**	**–**	**–**	**–**	**(1,176)**	**(1,176)**
Issue of own shares held on exercise of share options		**–**	**698**	**(1,454)**	**–**	**–**	**2,424**	**1,668**
Issue of share capital on exercise of share options	24	**28**	**5,826**	**(1,637)**	**–**	**–**	**–**	**4,217**
At 31 December 2019		**4,093**	**7,441**	**822,321**	**(369,119)**	**–**	**(435)**	**464,301**
At 1 January 2018		4,064	781	776,912	(369,119)	8,190	–	420,828
Profit for the year		–	–	77,066	–	–	–	77,066
Other comprehensive income		–	–	23,535	–	(8,190)	–	15,345
Total comprehensive income for the year		–	–	100,601	–	(8,190)	–	92,411
Transactions with owners:								
Share based payments	26	–	–	1,773	–	–	–	1,773
Deferred tax on share based payment	22	–	–	(184)	–	–	–	(184)
Equity dividends paid	32	–	–	(65,031)	–	–	–	(65,031)
Purchase of own shares		–	–	–	–	–	(1,865)	(1,865)
Issue of own shares held on exercise of share options		–	–	(182)	–	–	182	–
Issue of share capital on exercise of share options	24	1	136	(38)	–	–	–	99
At 31 December 2018		4,065	917	813,851	(369,119)	–	(1,683)	448,031

The notes on pages 102 to 133 form an integral part of these consolidated financial statements.

	Year ended 31 December 2019 £'000	2018 Continuing operations £'000	2018 Discontinued operations £'000	Year ended 31 December 2018 £'000
Cash flow from operating activities				
Cash generated from operations (Note 28)	**92,077**	95,009	(515)	94,494
Interest paid	**(2,605)**	(3,798)	(62)	(3,860)
Tax paid	**(13,266)**	(9,744)	(842)	(10,586)
Net cash inflow/(outflow) from operating activities	**76,206**	81,467	(1,419)	80,048
Cash flows from investing activities				
Purchase of property, plant and equipment	**(38,797)**	(31,196)	(1,909)	(33,105)
Purchase of intangible assets	**–**	(1,124)	–	(1,124)
Proceeds from sale of property plant and equipment	**2,447**	3,104	5	3,109
Proceeds from sale of property plant and equipment – exceptional	**–**	12,821	–	12,821
Proceeds from sale of intangible assets	**475**			
Payment for acquisition of subsidiary undertaking, net of cash acquired	**(13,219)**	–	–	–
Disposal of subsidiary undertaking	**–**	–	75,841	75,841
Interest received	**47**	22	–	22
Net cash (outflow)/inflow from investing activities	**(49,047)**	(16,373)	73,937	57,564
Cash flows from financing activities				
Dividends paid	**(60,068)**	(65,031)	–	(65,031)
Drawdown of borrowings	**70,000**	85,000	–	85,000
Repayment of borrowings	**(50,417)**	(149,583)	–	(149,583)
Lease payments	**(8,263)**	–	–	–
Proceeds from issuance of equity shares	**5,824**	137	–	137
Purchase of own shares by Employee Benefit Trust	**(1,176)**	(1,865)	–	(1,865)
Group transfers	**–**	74,251	(74,251)	–
Net cash outflow from financing activities	**(44,100)**	(57,091)	(74,251)	(131,342)
Net (decrease)/increase in cash and cash equivalents	**(16,941)**	8,003	(1,733)	6,270
Cash and cash equivalents at beginning of the year	**36,048**	28,437	3,053	31,490
Exchange gains/(losses) on cash and cash equivalents	**387**	(392)	85	(307)
Cash and cash equivalents on disposal of subsidiary undertaking	**–**	–	(1,405)	(1,405)
Cash and cash equivalents at end of the year	**19,494**	36,048	–	36,048

Discontinued operations do not have material cash flows during the current year.

The notes on pages 102 to 133 form an integral part of these consolidated financial statements.

Reconciliation of changes in cash and cash equivalents to movement in net debt

	Year ended 31 December 2019 £'000	2018 Continuing operations £'000	2018 Discontinued operations £'000	Year ended 31 December 2018 £'000
Net (decrease)/increase in cash and cash equivalents	**(16,941)**	8,003	(1,733)	6,270
Drawdown of borrowings	**(70,000)**	(85,000)	–	(85,000)
Repayment of borrowings	**50,417**	149,583	–	149,583
Non-cash debt movement	**(332)**	(482)	–	(482)
Effect of foreign exchange rate changes	**387**	(392)	85	(307)
Effect of disposal of subsidiary undertaking	**–**	–	(1,405)	(1,405)
Movement in net debt	**(36,469)**	71,712	(3,053)	68,659
Net debt at start of year	**(48,382)**	(120,094)	3,053	(117,041)
Net debt at end of year (Note 3)	**(84,851)**	(48,382)	–	(48,382)
Comprising:				
Cash and cash equivalents	**19,494**	36,048	–	36,048
Short-term borrowings	**(395)**	(548)	–	(548)
Long-term borrowings	**(103,950)**	(83,882)	–	(83,882)
	(84,851)	(48,382)	–	(48,382)

1. Summary of significant accounting policies

Authorisation of financial statements

The consolidated financial statements of Ibstock plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 2 March 2020. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish.

Ibstock plc is a public company limited by shares, which is incorporated in the United Kingdom and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the company registration number is 09760850.

The principal activities of the Company and its subsidiaries ("the Group") and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 49.

Basis of preparation

The consolidated financial statements of Ibstock plc for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated. The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2019. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Details of all the subsidiaries of the Group are given in Note 29

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by the Group; fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange and included within other payables.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 42 to 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 87 to 89. In addition, Note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments, and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance and liquidity will remain strong. The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group, the Board has concluded that the going concern basis of accounting of its financial statements is appropriate for a period of at least 12 months from approval of the financial statements.

In considering the Group's going concern status, management has modelled the impact of a financial downturn (including possible outcomes of Brexit) and has concluded that there will be no material impact of the Group's ability to continue as a going concern. In addition, see the Group's viability statement set out on page 47.

New standards, amendments and interpretations not yet adopted

The Group has applied the following standards and amendments for the first time in the consolidated financial statements for the year ended 31 December 2019:

– Annual Improvements to IFRS Standards 2015 – 2017 Cycle
– Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
– Interpretation 23 Uncertainty over Income Tax Treatments.

The Group also elected to adopt the following amendments early:

– Definition of Material – Amendments to IAS 1 and IAS 8.

The Group had to change its accounting policies as a result of adopting IFRS 16, as set out below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. These standards are not expected to have a material impact on the Group in the current or future reporting periods.

Change in accounting policies relating to the adoption of IFRS 16 Leases

The Group adopted IFRS 16 Leases from 1 January 2019, which resulted in the recognition of lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average lease duration remaining on 1 January 2019 was 6.0 years and the weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.0%.

The Group adopted the modified retrospective transition option upon application of IFRS 16, which does not result in the restatement of comparative figures for the year ended 31 December 2018. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised within the opening balance sheet on 1 January 2019. The new accounting policies are set out in Note 27.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
– The accounting for operating leases with a remaining lease term of less than 12-months as at 1 January 2019 as short-term leases
– The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead for contracts entered into before the transition date, the Group has relied on its assessment made in applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease

(ii) Measurement of lease liabilities:

	£'000
Operating lease commitments disclosed as at 31 December 2018 (Note 27)	41,583
Discounted using the lessee's incremental borrowing rate as at the date of transition	35,233
Add finance lease liabilities recognised at 31 December 2018	1,739
Lease liability recognised at 1 January 2019 (Note 27)	36,972
Of which, the following, are:	
Current lease liabilities	5,934
Non-current lease liabilities	31,038

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet at 1 January 2019:

	As previously reported £'000	Impact of IFRS 16 £'000	As restated £'000
Property, plant and equipment	365,478	(1,917)	363,561
Right-of-use assets	–	37,531	37,531
Prepayments and accrued income	4,227	(488)	3,739
Trade and other payables	(92,447)	1,846	(90,601)
Lease liabilities	–	(36,972)	(36,972)

There is no change in overall net assets as a result of the above identified changes.

Equipment under finance lease arrangements previously presented within 'Property, plant and equipment' of £1.9 million is now presented within the line item 'Right-of-use assets'. There has been no change in the amount recognised. The lease liability on leases previously classified as finance leases under IAS 17 and previously presented within 'Trade and other payables' of £1.7 million is now presented in the line 'Lease liabilities'. There has been no change in the liability recognised.

Further detail on the impact of IFRS 16 in the current year is set out within Note 27 of the Group financial statements.

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

– fair values of the assets transferred;
– liabilities incurred to the former owners of the acquired business;
– fair value of any asset or liability resulting from a contingent consideration arrangement, and
– fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer of the Group.

The CODM reviews the key profit measure, 'Adjusted EBITDA'. In the year ended 31 December 2018, this measure was disaggregated by UK and US based on geographical location and the organisational structure of the Group. In prior periods, the Directors considered the UK and US operations of the Group to represent the reportable segments. Following the disposal of the Group's entire US operations on 23 November 2018, the Directors reassessed the Group's reportable segments as UK Clay and UK Concrete. Results for the year ended 31 December 2018 have been restated to reflect the UK Clay and UK Concrete reportable segments accordingly.

1. Summary of significant accounting policies continued

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling (£), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. The Group does not currently undertake such hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented within the income statement.

Property, plant and equipment

Property, plant and equipment is stated at the cost to the Group less depreciation. The cost of property, plant and equipment includes directly attributable costs. Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalised and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves.

Details of cost and accumulated depreciation are included in Note 14.

Depreciation is provided on the cost of all assets (except assets in the course of construction and land), so as to write off the cost, less residual value, on a straight line basis over the expected useful economic life of the assets concerned, as follows:

Asset classification	Useful life
Land	Not depreciated
Freehold buildings	20 – 50 years
Plant, machinery and equipment	5 – 40 years
Mineral reserves	Amortised on a usage basis

Exploration expenditure relates to the initial search for mineral deposits with economic potential and is not capitalised. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential and in obtaining permissions to extract clay. Capitalisation of evaluation expenditure within 'Mineral reserves' commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e., the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Mineral reserves may be declared for an undeveloped project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalised during the period between declaration of reserves and approval to extract clay as further work is undertaken in order to refine the development case to maximise the project's returns.

The carrying values of capitalised evaluation expenditure are reviewed for impairment by management. Mineral reserves are amortised on a usage basis.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

Intangible assets

Separately acquired brands and non-contractual customer relationships are shown at historical cost. Brands and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of brands and customer relationships over their estimated useful lives as follows:

Asset classification	Useful life
Brands	10 – 50 years
Customer relationships	10 – 20 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. There has been no impairment of goodwill in the current or prior year.

For further details, see Note 13.

Impairment of non-financial assets

Assets that are subject to amortisation or depreciation, such as brands and non-contractual customer relationships and property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Leases

As explained above, from 1 January 2019, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described in Note 27, together with the impact of the change.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on a weighted average cost basis, while work in progress and finished goods are held at direct cost plus an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in a profit or loss account. No impairment losses were recorded in the current or prior year. Should they arise, impairment losses are presented as a separate line item in the Group consolidated income statement.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 23 for further details.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Collection is expected in one year or less and trade receivables are classified as current assets accordingly.

Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents reflects cash in-hand at the balance sheet date, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts (if any). In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred. Borrowings are subsequently carried at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Finance cost on borrowings is treated as an expense in the income statement, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment, where material. There were no borrowing costs capitalised during the current or prior years.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

1. Summary of significant accounting policies continued

Where defined benefit schemes have a surplus, the surplus is recognised if future economic benefits are available to the entity in the form of a reduction in the future contributions or a right to refund.

Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, taking account of any changes in the defined benefit asset/liability during the period as a result of contributions and benefit payments. This cost is included in interest expense in the income statement.

When the benefits of a defined benefit plan are changed or when the plan is curtailed, the change in the present value of the defined benefit obligation arising that relates to the plan amendment or curtailment is recognised immediately in profit or loss on its occurrence. Before determining the past service cost (including curtailment gains or losses) or a gain or loss on settlement, the net defined benefit obligation (asset) is remeasured using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices) reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group recognises contributions payable to defined contribution plans in exchange for employee services in employee benefit expense.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The restoration provision is to fund future obligations at a number of sites that the Group is associated with and where the Group has any constructive obligation to restore once it has fully utilised the site. Within other provisions, the restructuring provision covers current and former employees who have ceased working on grounds of ill health and is a liability payable to their normal retirement date.

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's discounted best estimate of the likely committed cash outflows.

Revenue

Revenue represents the fair value of consideration receivable for goods supplied by the Group, exclusive of local sales tax and trade discounts and after eliminating sales within the Group. All of revenue is attributable to the principal activities of the Group being the manufacture and sale of concrete products, clay facing bricks and associated special shaped and fabricated clay products.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on despatch of goods. In a bill and hold arrangement, revenue is recognised when a customer has obtained control of a product, which arises when all of the following criteria are met: (a) the reason for the arrangement is substantive, (b) the product has been identified separately as belonging to the customer, (c) the product is ready for delivery in accordance with the terms of the arrangement, and (d) the Company does not have the ability to use the product or sell the product to another customer.

Customer rebates

Provisions for rebates to customers are based upon the terms of individual contracts, generally coterminous with the Group's financial year end, and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for customer rebates based on the terms of each agreement at the time the revenue is recognised.

Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Group.

Rental income received under operating leases is recognised on a straight line basis over the term of the relevant lease. Assets leased by the Group under operating leases are depreciated in line with the Group's normal depreciation policy.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project. Development costs capitalised are not material.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the financial period, so as to assess better underlying trends in financial performance. Further detail on exceptional items are given within Note 5.

The Directors believe that the use of Alternative Performance Measures ("APMs"), such as exceptional items, provide useful information for shareholders. The Group uses APMs to aid comparability of its performance and position between periods. The APMs used represent measures used by management and Board to monitor performance and plan. Additionally, certain APMs are used by the Group in setting Director and management remuneration. Detailed descriptions of APMs used throughout these financial statements are included within Note 3.

APMs used by the Group are generally not defined under IFRSs and may not be comparable with similarly titled measures reported by other companies.

It is not believed that adjusted measures are a substitute for, or superior to, statutory measurements.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except for tax relating to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the year in which such a determination is made.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts included in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets and liabilities are not subject to discounting.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary difference can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities where these have been levied by the same tax authority on either the same taxable entity or different taxable entities within the Group where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distributions to Ibstock plc shareholders are recognised in the Group's financial statements in the period in which the dividends are approved in general meeting, or when paid in the case of an interim dividend.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets and disposal groups are measured at the lower of carrying amount and fair value less the costs to sell. Non-current assets classified as held for sale (or that form part of a disposal group classified as held for sale) are not depreciated or amortised.

Share based payments

The Group operates a number of equity-settled share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (for example options or shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the year between service commencement period and grant date.

For the equity-settled share based payment transactions, the fair value of the share instruments granted is derived from established option pricing models. Further details on share based payments are set out in Note 26.

2. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, as described in Note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised, and in any future period affected. The areas that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension schemes – valuation of liabilities

For defined benefit schemes, management is required to make annual estimates and assumptions about future changes in benefits, inflation rates, life expectancy and other pensioner demographics.

The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. These assumptions are subject to periodic review.

Note 21 describes the assumptions used together with an analysis of the sensitivity of the defined benefit scheme liability (£537.3 million at 31 December 2019) to changes in key assumptions.

Critical judgements in applying the Group's accounting policies

The following critical judgement, that the Directors made in the process of applying the Group's accounting policies have the most significant effect on the amounts recorded in the financial statements.

Exceptional items

Exceptional items are disclosed separately in the financial statements where the Directors believe it is necessary to do so to provide further understanding of the financial performance of the Group.

The Group presents as exceptional items on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the financial period, so as to facilitate comparison with future years and assess better underlying trends in financial performance.

Further detail on exceptional items are given within Note 5.

3. Alternative performance measures

Alternative Performance Measures ("APMs") are disclosed within the consolidated financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. APMs are reported for continuing operations. Management uses APMs in its own assessment of the Group's performance and in order to plan. Certain APMs are used in the remuneration of management and Executive Directors. It is not intended that APMs are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies. Changes to our net debt to adjusted EBITDA ratio APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects are described below.

Exceptional items

The Group presents items as exceptional on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance. Details of all exceptional items are disclosed in Note 5.

3. Alternative performance measures continued

Adjusted EBITDA

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. The Directors regularly use Adjusted EBITDA as a key performance measure in assessing the Group's profitability. A full reconciliation is included at the foot of the Group's consolidated statement of comprehensive income within the consolidated financial statements. Due to the implementation of IFRS 16, comparative figures for Adjusted EBITDA are not directly comparable with the figures for the current year. The impact of this change is set out below:

	Year ended 31 December 2019 Pre-IFRS 16 £'000	Year ended 31 December 2019 Impact of IFRS 16 £'000	Year ended 31 December 2019 As reported £'000	Year ended 31 December 2018 £'000
Adjusted EBITDA	115,144	7,121	122,265	112,371
Exceptional items	(2,833)	–	(2,833)	8,025
Depreciation and amortisation	(28,938)	(6,471)	(35,409)	(24,405)
Operating profit	83,373	650	84,023	95,991

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest net of taxation (at the Group's effective tax rate). The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial accounts in assessing the performance of the Group and when comparing its performance across periods. A full reconciliation is provided in Note 12.

Net debt and net debt to adjusted EBTIDA ratio

Net debt is defined as the sum of cash and total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16. Net debt to adjusted EBITDA is the ratio of net debt to Adjusted EBITDA (as defined above). In the current period, the net debt to Adjusted EBITDA ratio definition removed the benefit of IFRS 16 within adjusted EBITDA to align the definition with the Group's banking facility covenant definition. The Directors disclose the net debt APM to provide information as a useful measure for assessing the Group's borrowings' management. A full reconciliation of net debt is included at the foot of the Group's consolidated cash flow statement. The net debt to adjusted EBITDA ratio APM is calculated as follows:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Net debt	(84,851)	(48,382)
Adjusted EBITDA	122,265	112,371
Impact of IFRS 16 (Note 27)	(7,121)	–
Adjusted EBITDA prior to IFRS 16	115,144	112,371
Ratio of net debt to Adjusted EBITDA	0.7x	0.4x

Return on capital employed

Return on capital employed ("ROCE") is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension deficit/surplus). The average is calculated using the period end balance and corresponding preceding reported balance (year end or interim). The Directors disclose the ROCE APM in order to provide an indication of the relative efficiency of capital use by the Group over the year. The calculation of ROCE together with a reconciliation to the measure prior to the application of IFRS 16 is set out below:

	Year ended 31 December 2019 pre-IFRS 16 £'000	Year ended 31 December 2019 Impact of IFRS 16 £'000	Year ended 31 December 2019 as reported £'000	Year ended 31 December 2018 £'000
Adjusted EBITDA	115,144	7,121	122,265	112,371
Less depreciation	(22,528)	(6,471)	(28,999)	(18,249)
Less amortisation	(6,410)	–	(6,410)	(6,156)
Adjusted earnings before interest and taxation	86,206	650	86,856	87,966
Average net debt	73,416	–	73,416	94,411
Average equity	466,957	–	466,957	409,333
Average pension	(89,626)	–	(89,626)	(75,838)
Average capital employed	450,747	–	450,747	427,906
ROCE	19.1%		19.3%	20.6 %

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted for exceptional items. In the year ended 31 December 2019, the measure has been extended to include cash outflows resulting from lease payments. The Directors use this APM to allow shareholders to understand better elements of the Group's cash flow performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance. The adjusted operating cash flows is included in Table 2 of the Financial Review.

Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA. The Directors believe this APM provides a useful measure of the Group's effectiveness of its cash resources during the period. In the current year, the definition has been amended to take account of the completion of the Group's major capital expenditure projects. In the absence of major capital expenditure in the current year, this heading has been omitted and prior year comparative figures have been restated accordingly. Total capital expenditure has been included instead within the Adjusted free cash flow APM (see below). Cash conversion is set out in Table 2 of the Financial Review.

Adjusted free cash flow

Adjusted free cash flows represents Adjusted operating cash flow less total capital expenditure. The Directors use the measure of Adjusted free cash flow as a measure of the funds available to the Group for the payment of distributions to shareholders, for use within M&A activity and other investing and financing activities. The definition of Adjusted free cash flow has been amended in the year to simplify the calculation. A reconciliation of Adjusted free cash flow is set out in Table 2 of the Financial Review.

Following the completion of the Group's major capital expenditure projects in 2018, the Directors have removed the APM of 'Capital expenditure before major capex', as they no longer utilise this measure to monitor performance. Accordingly, total capital expenditure has been used in place of this APM.

4. Segment reporting

In prior periods, the Directors considered the UK and US operations of the Group to represent the reportable segments. Following the disposal of the Group's entire US operations on 23 November 2018, the Directors reassessed the Group's reportable segments as UK Clay and UK Concrete. Results for the year ended 31 December 2018 have been restated to reflect the UK Clay and UK Concrete reportable segments accordingly.

The key Group performance measure is Adjusted EBITDA, as detailed below, which is defined in Note 3. The tables, below, present revenue and Adjusted EBITDA for the Group's operating segments.

Included within the unallocated and elimination columns in the tables below are the costs of running the public company, including share based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Eliminations represent the removal of inter-company balances.

Transactions between segments are carried out at arm's length. There is no material inter-segmental revenue and no aggregation of segments has been applied.

	Year ended 31 December 2019			
	UK Clay £'000	UK Concrete £'000	Unallocated & Eliminations £'000	Total £'000
Continuing operations				
Total revenue	**300,470**	**108,787**	**–**	**409,257**
Adjusted EBITDA	**106,717**	**21,942**	**(6,394)**	**122,265**
Exceptional items (see Note 5)	**(881)**	**(999)**	**(953)**	**(2,833)**
Depreciation and amortisation pre fair value uplift	**(20,744)**	**(5,727)**	**(128)**	**(26,599)**
Incremental depreciation and amortisation following fair value uplift	**(5,152)**	**(3,658)**	**–**	**(8,810)**
Net finance costs	**(1,019)**	**(249)**	**(764)**	**(2,032)**
Profit/(loss) before tax	**78,921**	**11,309**	**(8,239)**	**81,991**
Taxation				**(15,516)**
Profit for the year from continuing operations				**66,475**
Discontinued operations				
Loss for the year from discontinued operations, net of tax				**(383)**
Profit for the year				**66,092**
Consolidated total assets	**548,731**	**142,243**	**80,105**	**771,079**
Consolidated total liabilities	**(140,059)**	**(46,312)**	**(120,407)**	**(306,778)**
Non-current assets				
Consolidated total intangible assets	**60,284**	**42,310**	**–**	**102,594**
Property, plant and equipment	**339,089**	**47,166**	**–**	**386,255**
Right of use assets	**19,388**	**10,574**	**517**	**30,479**
Total	**418,761**	**100,050**	**517**	**519,328**
Total non-current asset additions (excluding business combinations)	**41,577**	**7,304**	**92**	**48,973**

Included within the revenue of our Clay operations during the year ended 31 December 2019 were £2.2 million of bill and hold transactions. At 31 December 2019, all inventory relating to these sales, remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes (£0.8 million), plc Board and other plc employment costs (£4.2 million), pension costs (£0.7 million) and legal and other expenses associated with the listed business (£2.3 million). These costs have been offset by the research and development taxation credits (£1.7 million). During the current year, one customer accounted for greater than 10% of Group revenues with £42.4 million from the Clay segment and £0.6 million from the Concrete segment.

4. Segment reporting continued

	Year ended 31 December 2018 (restated)			
	UK Clay £'000	UK Concrete £'000	Unallocated & Eliminations £'000	Total £'000
Continuing operations				
Total revenue from external customers	293,449	97,953	–	391,402
Adjusted EBITDA	96,748	20,612	(4,989)	112,371
Exceptional items (see Note 5)	9,390	(266)	(1,099)	8,025
Depreciation and amortisation pre fair value uplift	(12,652)	(3,197)	–	(15,849)
Incremental depreciation and amortisation following fair value uplift	(5,152)	(3,404)	–	(8,556)
Net finance costs	(155)	(46)	(3,274)	(3,475)
Profit/(loss) before tax	88,179	13,699	(9,362)	92,516
Taxation				(16,102)
Profit for the year from continuing operations				76,414
Profit for the year from discontinued operations, net of tax				652
Profit for the year				77,066
Total assets	508,076	126,607	72,294	706,977
Assets relating to discontinued operations				–
Consolidated total assets				706,977
Total liabilities	(120,656)	(33,576)	(104,714)	(258,946)
Liabilities relating to discontinued operations				–
Consolidated total liabilities				(258,946)
Non-current assets				
Intangible assets	64,040	36,547	–	100,587
Intangible assets relating to discontinued operations				–
Consolidated total intangible assets				100,587
Property, plant and equipment	321,327	44,151	–	365,478
Property, plant and equipment relating to discontinued operations				–
Consolidated total property, plant and equipment				365,478
Total	385,367	80,698	–	466,065
Non-current asset additions				
Continuing operations	27,992	5,674	–	33,666
Discontinuing operations				1,621
Total non-current asset additions				35,287

In the prior year, included within the revenue of our Clay operations were £6.6 million of bill and hold transactions. At 31 December 2018, inventory relating to sales of £4.3 million remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes (£1.8 million), plc Board and other plc employment costs (£3.8 million), pension costs (£0.8 million) and legal and other expenses associated with the listed business (£1.1 million). These costs have been offset by the research and development taxation credits (£2.5 million). No customer accounted for greater than 10% of the Group's revenue in the prior year.

Prior year figures have been restated following the changes to operating segments in the current year. In the year ended 31 December 2018, revenue of the discontinued operations was £79.7 million.

5. Exceptional items

Continuing operations	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Exceptional administrative expenses:		
Pension related expenses		
Pension closure costs – legal and actuarial costs	**(737)**	(506)
Exceptional GMP equalisation costs	**–**	(1,500)
	(737)	(2,006)
Acquisition of subsidiary undertaking – legal costs	**(179)**	–
Release of provision for contingent consideration	**–**	1,892
Exceptional corporate costs	**(37)**	(985)
Exceptional restructuring costs	**(1,880)**	(348)
Total exceptional administrative expenses	**(2,833)**	(1,447)
Exceptional profit on disposal of property plant and equipment	**–**	9,472
Exceptional items impacting EBITDA	**(2,833)**	8,025
Exceptional items relating to continuing operations	**(2,833)**	8,025
Exceptional items relating to discontinued operations	**(383)**	(2,576)
Total exceptional items	**(3,216)**	5,449

2019

Included within the current year are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the current year include costs associated with the pension data cleansing exercise completed as part of the Group's pension de-risking exercise, which followed the closure of the scheme to future accrual from 1 February 2017.

All exceptional pension costs have been assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

Legal costs associated with the acquisition of Longley Concrete in July 2019 have been treated as exceptional on the basis of the infrequent nature of the event giving rise to these costs.

Exceptional corporate costs in the current year relate to the duplication of Chief Financial Officer's expenses in the current year, which was categorised as exceptional on the basis of the non-recurring nature of the event giving rise to the costs.

Exceptional restructuring costs, which arose in the current year relate to redundancy and other project costs following the establishment of a new Ibstock Concrete division from 1 January 2019. Additionally, costs of restructuring within the Ibstock Clay division have been categorised as exceptional. These costs have been treated as exceptional due to the unusual and non-recurring nature of the event giving rise to the costs.

Exceptional costs relating to discontinued operations relate to residual costs incurred during the current year in concluding the disposal of the Group's Glen-Gery operations, which were sold in November 2018.

2018

Included within the prior year are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the prior year include residual professional advisor fees associated with the closure of the Group's UK defined benefit pension scheme, which took place in the year ended 31 December 2016, and costs associated with the pension data cleansing exercise taking place as part of the Group's pension de-risking exercise. Additionally, in the prior year, costs relating to past service costs associated with the Guaranteed Minimum Pension equalisation have been classified as exceptional. All exceptional pension costs have been assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

The release of a provision for contingent consideration of £1.9 million arose in the prior period following the finalisation of negotiations relating to outstanding contingent consideration following the Group's disposal by CRH plc in February 2015. This exceptional credit has been classified as exceptional due to the original categorisation of the associated provision creation in order to ensure consistency in accounting.

Exceptional corporate costs in the prior year relate to the duplication of Chief Executive Officer's expenses in the current year, which was categorised as exceptional on the basis of the non-recurring nature of the event giving rise to the costs.

Exceptional restructuring costs were incurred following the Group's decision to combine the Group's concrete businesses under one management team, and were treated as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal relates to the sale of the Group's surplus properties near Bristol and Keele, which occurred in the prior year. The profits on disposal have been categorised as exceptional due to the materiality of the amounts recorded.

Exceptional items relating to discontinued operations of £2.6 million relate to the loss on disposal of the Group's US segment in the prior year. The amount has been categorised as exceptional due to the material and non-recurring nature of the disposal.

5. Exceptional items continued

Tax on exceptional items

2019

The pension related expenses, along with the corporate and restructuring costs, are tax deductible.

The legal costs incurred on acquisition of the subsidiary undertaking are not tax deductible.

The expenses relating to discontinued operations are not tax deductible.

2018

The release of the provision for contingent consideration is non-taxable. The pension related expenses, corporate and restructuring costs are tax deductible.

The disposal of surplus properties during the current year gave rise to capital gains which are taxable.

The loss on disposal of the Group's US segment is tax exempt.

6. Operating profit

	Year ended 31 December 2019	Year ended 31 December 2018		
Operating profit includes the effect of crediting/(charging):	**Total £'000**	Continuing operations £'000	Discontinued operations £'000	Total £'000
Continuing operations				
Changes in inventories of finished goods and work in progress	**11,377**	3,825	4,664	8,489
Raw material and consumables used	**(62,727)**	(60,759)	(22,961)	(83,720)
Employee benefit expense (Note 7)	**(78,078)**	(73,932)	(24,346)	(98,278)
Depreciation	**(28,999)**	(18,249)	(4,310)	(22,559)
Amortisation (Note 13)	**(6,410)**	(6,156)	(250)	(6,406)
Other production costs	**(85,171)**	(81,723)	(15,890)	(97,613)
Total cost of sales	**(250,008)**	(236,994)	(63,093)	(300,087)
Transportation expenses	**(42,052)**	(39,749)	(1,482)	(41,231)
Other employee benefit expenses (Note 7)	**(26,229)**	(26,501)	(9,692)	(36,193)
Profit on disposal of property, plant and equipment (Note 14)	**1,773**	1,735	5	1,740
Advertising costs	**(1,450)**	(1,360)	(603)	(1,963)
Operating lease payments	**–**	(6,837)	(457)	(7,294)
Operating lease income	**408**	752	–	752
Research and development costs	**(33)**	(12)	(76)	(88)
Exceptional administrative expenses (Note 5)	**(2,833)**	(1,447)	–	(1,447)
Exceptional profit on disposal of property plant and equipment (Note 5)	**–**	9,472	–	9,472

Auditor's remuneration

During the year the Group obtained the following services from the company's auditor:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Fees payable to the Company's auditor and its associates for the audit of Parent Company and consolidated financial statements:	**110**	100
Fees payable to Company's auditor and its associates for other services to the Group:		
– Audit of the Company's subsidiaries	**380**	340
Total audit fees	**490**	440
– Audit related assurance services	**66**	55
Total non-audit fees	**66**	55

7. Employees and Directors

Employee benefit expenses for the Group during the period:

	Year ended 31 December 2019	Year ended 31 December 2018		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Wages and salaries	**88,576**	83,268	27,101	110,369
Social security costs	**8,226**	7,729	5,926	13,655
Pensions costs – defined benefit plans (Note 21)	**1,511**	2,764	–	2,764
Pensions costs – defined contribution plans (Note 21)	**5,290**	5,144	766	5,910
Share based payments (Note 26)	**704**	1,773	–	1,773
	104,307	100,678	33,793	134,471

In the prior year, US post-employment benefits of £0.5 million were accounted for as a defined contribution scheme and costs are included in the pension costs – defined contribution category, above.

Average monthly number of people (including Executive Directors) employed:

	Year ended 31 December 2019	Year ended 31 December 2018		
	Total	Continuing operations	Discontinued operations	Total
Sales staff	**264**	274	74	348
Administrative staff	**269**	198	17	215
Production staff	**1,777**	1,668	437	2,105
	2,310	2,140	528	2,668

Key management compensation	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Short-term employee benefits	**2,640**	2,523
Post-employment benefits	**122**	42
Share based payment	**173**	583
	2,935	3,148

Key management personnel has been defined as the Board of Ibstock plc, together with the Group's Executive Leadership Team ("ELT"). Members of the ELT are shown on page 9 of the Annual Report and Accounts 2019. Details of remuneration for Ibstock plc Directors are presented in the Remuneration Report on pages 68 to 86. The aggregate remuneration for the purposes of the financial statements is £2.1 million (year ended 31 December 2018: £1.8 million).

8. Finance costs

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest costs:		
Interest payable on revolving credit facility	**(2,850)**	(4,282)
Foreign exchange translations	**–**	(392)
Total interest payable on bank borrowings	**(2,850)**	(4,674)
Other interest payable	**(87)**	(63)
Interest expense on financial liabilities at amortised cost	**(2,937)**	(4,737)
Interest on lease liabilities	**(1,294)**	–
Unwinding of discount on provisions/changes in discount rate (Note 20)	**(504)**	–
Non-cash interest payable	**(1,798)**	–
Total finance costs relating to continuing operations	**(4,735)**	(4,737)
Finance costs relating to discontinued operations	**–**	(61)
	(4,735)	(4,798)

2019

Included within the current year were finance costs associated with the Group's Revolving Credit Facility (see Note 19), which incurred interest at a 1.00%-1.25% margin during the course of the year and the recognition of interest in respect of leasing liabilities as a result of the implementation of IFRS 16.

2018

Included within the prior year were finance costs associated with the Group's Revolving Credit Facility (see Note 19), which incurred interest at a 1.25%-1.50% margin during the course of 2018.

In both the current and prior years, borrowing costs related to capital expenditure were insignificant and have not been capitalised.

9. Finance income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Interest income:		
Foreign currency gains	**387**	–
Net interest income arising on the UK pension scheme (Note 21)	**2,269**	1,202
Net unwinding of discount on provisions/changes in discount rate	**–**	40
Other interest receivable	**47**	20
Total finance income relating to continuing operations	**2,703**	1,262
Finance income relating to discontinued operations	**–**	61
	2,703	1,323

10. Taxation

Analysis of income tax charge

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Continuing operations			
Current tax on profits for the period		**16,045**	14,634
Adjustments in respect of prior period		**(1,218)**	(360)
Total current tax		**14,827**	14,274
Deferred tax on profits for the period		**(74)**	3,452
Impact of change in tax rate		**(108)**	(1,571)
Adjustments in respect of prior period		**871**	(53)
Total deferred tax		**689**	1,828
Total continuing operations		**15,516**	16,102
Discontinued operations		**–**	1,149
		15,516	17,251

Income tax recognised within the consolidated statement of other comprehensive income

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities:		
Deferred tax charge	**851**	5,357

Income tax recognised within the consolidated statement of changes in equity

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Current tax (credit) on share based payments	**(171)**	–
Deferred tax (credit)/charge on share based payments	**(508)**	184

The tax expense for the period differs from the applicable standard rate of corporation tax in the UK of 19% for the year ended 31 December 2019 (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £'000	Percentage	Year ended 31 December 2018 £'000	Percentage
Profit before tax from continuing operations	**81,991**	**100%**	92,561	100%
Profit before tax multiplied by the rate of corporation tax in the UK	**15,578**	**19.00%**	17,578	19.00%
Effects of:				
Expenses not deductible	**393**	**0.48%**	868	0.94%
Changes in estimates relating to prior periods	**(347)**	**(0.43%)**	(413)	(0.45%)
Total tax charge before deferred tax rate change and exceptional items	**15,624**	**19.05%**	18,033	19.49%
Non-taxable release of contingent consideration	**–**	**–**	(359)	(0.39%)
Rate change on deferred tax provision – pension scheme surplus	**–**	**–**	(1,469)	(1.59%)
Rate change on deferred tax provision – other	**(108)**	**(0.13%)**	(103)	(0.11%)
Total taxation expense from continuing operations	**15,516**	**18.92%**	16,102	17.40%

There are no income tax consequences for the Company in respect of dividends declared prior to the date of authorisation of these financial statements and for which a liability has not been recognised.

The reduction in the standard rate of corporation tax in the UK from 20% to 19% came into force with effect from 1 April 2017. The further rate reduction to 17% from 1 April 2020 was substantively enacted in Finance Act 2016 on 6 September 2016. The impact of these tax rate changes are reflected in these financial statements.

The Group expects its effective tax rate in the future to be affected by the outcome of any future tax audits as well as the impact of changes in tax law.

11. Business combinations

On 31 July 2019, the Group acquired 100% of the share capital of Longley Holdings Limited and its subsidiaries Longley Concrete Limited and Longley Precast Limited. The acquired entities specialise in the manufacture of precast concrete building products. The acquisition of the Longley businesses is complementary to the Group's existing concrete operations and supports the further growth of the segment.

Cash consideration of £13.2 million, net of £2.8 million cash acquired, was paid during the year ended 31 December 2019. Deferred consideration of £0.5 million is also payable two years from the date of acquisition. The net cash outflow arising on acquisition was:

	£000
Cash consideration	15,973
Present value of deferred consideration	461
	16,434
Less: Cash and cash equivalent balances acquired	(2,754)
Total	13,680

Provisional details of the net assets acquired and goodwill are as follows:

	Fair value £000
Cash	2,754
Trade receivables	5,004
Inventories	1,002
Property, plant and equipment	3,683
Right of use assets	330
Intangible asset: brand	1,359
Intangible asset: customer list	5,218
Trade payables	(4,263)
Lease liabilities	(330)
Deferred taxation liability	(1,287)
Net identifiable assets acquired	13,470
Add goodwill	2,964
Net assets acquired	16,434

The goodwill is attributable to the workforce and the profitable nature of the acquired business. It is not deductible for tax purposes.

The fair value of acquired trade receivables is £5.0 million. The gross contractual amount for trade receivables due is £5.0 million, with no loss allowance at the time of acquisition.

The acquired business contributed revenues of £8.3 million and net profit of £0.4 million to the Group from the period from acquisition to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been £23.0 million and £1.3 million, respectively. Acquisition costs of £0.2 million were expensed in the year ended 31 December 2019.

The fair values of acquired identifiable assets and liabilities are reported as provisional, pending final reviews. The valuations of these assets and liabilities shall be completed prior to the end of the measurement period.

12. Earnings per share

The basic earnings per share figures are calculated by dividing profit for the year attributable to the Parent shareholders by the weighted average number of Ordinary Shares in issue during the year.

The diluted earnings per share figures allow for the dilutive effect of the conversion into Ordinary Shares of the weighted average number of options outstanding during the year. Where the average share price for the year is lower than the option price the options become anti-dilutive and are excluded from the calculation.

The number of shares used for the earnings per share calculation are as follows:

	Year ended 31 December 2019 (000s)	Year ended 31 December 2018 (000s)
Basic weighted average number of Ordinary Shares	**408,367**	406,448
Effect of share incentive awards and options	**3,570**	3,021
Diluted weighted average number of Ordinary Shares	**411,937**	409,469

12. Earnings per share continued

The calculation of adjusted earnings per share is a key measurement used by management that is not defined by IFRS. The adjusted EPS measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the Effective Tax Rate.

A reconciliation of the statutory profit to that used in the adjusted earnings per share calculations is as follows:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Profit for the period attributable to the Parent shareholders	**66,475**	**(383)**	**66,092**	76,414	652	77,066
Add back exceptional items (Note 5)	**2,833**	**383**	**3,216**	(8,025)	2,576	(5,449)
Add back tax expense/(credit) on exceptional items	**(536)**	**–**	**(536)**	1,396	(399)	997
Add fair value adjustments	**8,810**	**–**	**8,810**	8,556	606	9,162
Less tax credit on fair value adjustments	**(1,667)**	**–**	**(1,667)**	(1,489)	(187)	(1,676)
Less net non-cash interest	**(1,238)**	**–**	**(1,238)**	(301)	(61)	(362)
Add back tax expense on non-cash interest	**234**	**–**	**234**	52	14	66
Adjusted profit for the period attributable to the Parent shareholders	**74,911**	**–**	**74,911**	76,603	3,201	79,804

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing pence	Discontinued pence	Total 2019 pence	Continuing pence	Discontinued pence	Total 2018 pence
Basic EPS on profit for the year	**16.3**	**(0.1)**	**16.2**	18.8	0.2	19.0
Diluted EPS on profit for the year	**16.1**	**(0.1)**	**16.0**	18.6	0.2	18.8
Adjusted basic EPS on profit for the year	**18.3**	**–**	**18.3**	18.8	0.8	19.6
Adjusted diluted EPS on profit for the year	**18.2**	**–**	**18.2**	18.7	0.8	19.5

13. Intangible assets

	Goodwill £'000	Customer contracts and relationships £'000	Brands £'000	Licences £'000	Total £'000
Cost					
At 1 January 2018	–	87,877	46,567	–	134,444
Additions	–	–	–	1,124	1,124
Disposals in the year	–	(288)	(11,268)	–	(11,556)
Exchange movements	–	61	501	–	562
At 31 December 2018	**–**	**87,650**	**35,800**	**1,124**	**124,574**
Arising on business combination	**2,964**	**5,218**	**1,359**	**–**	**9,541**
Disposals in the year	**–**	**–**	**–**	**(1,124)**	**(1,124)**
Exchange movements	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**2,964**	**92,868**	**37,159**	**–**	**132,991**
Accumulated amortisation and impairment					
At 1 January 2018	–	(15,266)	(3,168)	–	(18,434)
Charge for the year	–	(5,291)	(1,115)	–	(6,406)
Disposals in the year	–	98	755	–	853
Exchange movements	–	–	–	–	–
At 31 December 2018	**–**	**(20,459)**	**(3,528)**	**–**	**(23,987)**
Charge for the year	**–**	**(5,434)**	**(976)**	**–**	**(6,410)**
Disposals in the year	**–**	**–**	**–**	**–**	**–**
Exchange movements	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**–**	**(25,893)**	**(4,504)**	**–**	**(30,397)**
Net book amount					
At 31 December 2018	–	67,191	32,272	1,124	100,587
At 31 December 2019	**2,964**	**66,975**	**32,655**	**–**	**102,594**

Amortisation is included within cost of sales in the income statement.

The remaining amortisation period of customers relationships is 6 to 16 years. At 31 December 2019, the remaining amortisation period of brands is outlined below:

Brands	Net Book Value at 31 December 2019 £'000	Remaining Amortisation Period (Years)
Ibstock Brick	**28,905**	45.2
Forticrete	**413**	5.2
Supreme	**2,035**	10.2
Longley	**1,302**	9.6
	32,655	

14. Property, plant and equipment

	Land and buildings £'000	Mineral reserves £'000	Plant, machinery and equipment £'000	Assets in the course of construction ("AICC") £'000	Total £'000
Cost					
At 1 January 2018	181,003	72,435	131,352	61,454	446,244
Additions	4,887	105	13,857	15,314	34,163
Transfer to Assets held for sale	–	–	–	–	–
Transfer to/from AICC	26,719	–	50,049	(76,768)	–
Disposals	(27,295)	(4,488)	(36,805)	–	(68,588)
Exchange movements	1,693	146	1,982	–	3,821
At 31 December 2018	**187,007**	**68,198**	**160,435**	**–**	**415,640**
Arising on business combination	**2,466**	**–**	**1,217**	**–**	**3,683**
Additions	**4,283**	**4,677**	**20,517**	**11,952**	**41,429**
Transfer to Assets held for sale	**(1,186)**	**–**	**–**	**–**	**(1,186)**
Transfer of Right of use assets	**–**	**–**	**(1,917)**	**–**	**(1,917)**
Disposals	**(970)**	**–**	**(2,338)**	**–**	**(3,308)**
Transfer from inventories	**–**	**1,193**	**–**	**–**	**1,193**
At 31 December 2019	**191,600**	**74,068**	**177,914**	**11,952**	**455,534**
Accumulated depreciation					
At 1 January 2018	(17,396)	(8,791)	(19,577)	–	(45,764)
Charge for the year	(7,068)	(3,534)	(11,957)	–	(22,559)
Disposals	2,428	913	16,028	–	19,369
Exchange movements	(107)	(16)	(1,085)	–	(1,208)
At 31 December 2018	**(22,143)**	**(11,428)**	**(16,591)**	**–**	**(50,162)**
Charge for the year	**(5,553)**	**(4,178)**	**(11,794)**	**–**	**(21,525)**
Disposals	**631**	**–**	**1,777**	**–**	**2,408**
At 31 December 2019	**(27,065)**	**(15,606)**	**(26,608)**	**–**	**(69,279)**
Net book amount					
At 31 December 2018	164,864	56,770	143,844	–	365,478
At 31 December 2019	**164,535**	**58,462**	**151,306**	**11,952**	**386,255**

Management reviews the business performance based on segments reported in Note 4. In the current year, impairment tests have not been conducted as management believes that there is no indication of impairment of assets.

There are no assets which are used as security.

A profit on disposal of property, plant and equipment of £1.8 million has been recognised in the year ended 31 December 2019 (year ended 31 December 2018: profit on disposal of £11.2 million).

15. Inventories

	31 December 2019 £'000	31 December 2018 £'000
Raw materials	**23,021**	21,649
Work in progress	**3,488**	3,633
Finished goods	**57,818**	43,144
	84,327	68,426

The replacement cost of inventories is not considered to be materially different from the above values. At 31 December 2019, a provision of £0.8 million (31 December 2018: £0.5 million) is held against the inventory balance.

16. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'000
Trade receivables	**54,147**	49,226
Provision for impairment of receivables	**(288)**	(289)
Net trade receivables	**53,859**	48,937
Prepayments and accrued income	**3,214**	4,227
Other receivables	**1,015**	2,569
Total trade and other receivables	**58,088**	55,733

17. Assets held for sale

	31 December 2019 £'000	31 December 2018 £'000
Assets classified as held for sale as of the beginning of the period	**–**	4,853
Additions	**1,186**	–
Disposals	**–**	(4,853)
Assets classified as held for sale as of the end of the period	**1,186**	–

During the year ended 31 December 2019, the Group has classified its surplus property in Staffordshire as held for sale, which is expected to be disposed of within 12 months of the balance sheet date.

The fair value of the asset less costs to sell is assessed as above the asset's carrying values, and there are no liabilities directly associated with the asset categorised as held for sale.

In the year ended 31 December 2018, the Group successfully disposed of its surplus properties in Stourbridge, Severn Valley, Keele and Kingsley, which had been classified as assets held for sale at 1 January 2018.

The assets were all held within the Clay segment.

18. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	**55,975**	52,309
Deferred consideration	**461**	–
Other tax and social security payable	**7,667**	10,372
Accruals and other payables	**24,047**	29,766
	88,150	92,447

There are no material differences between the fair values and book values stated above. All items are payable within six months of the balance sheet date, with the exception of an amount included within other payables due to unwind in more than one year of £nil (31 December 2018: £0.8 million) and deferred consideration of £0.5 million at 31 December 2019 related to the consideration payable to the vendor following the acquisition of the Longley businesses completed in July 2019. The deferred consideration is payable in July 2021.

19. Borrowings

	31 December 2019 £'000	31 December 2018 £'000
Current		
Revolving credit facility	**395**	548
	395	548
Non-current		
Revolving credit facility	**103,950**	83,882
	103,950	83,882
Total borrowings	**104,345**	84,430

As at 31 December 2019 and 31 December 2018:
The Group entered a five-year £250 million Revolving Credit Facility ("RCF") in March 2017. At 31 December 2019 and 31 December 2018 a £215 million facility was held, which had reduced from £250 million at 31 December 2017, following the withdrawal of US Fifth Third Bank following the Group's disposal of its US operations in November 2018. The facility has no fixed repayment terms during its term and the Group must comply with covenant requirements relating to interest cover (4x) and leverage (3x) and report to the banks on a six-monthly basis. The RCF attracts interest of between 1% and 2.25% plus LIBOR depending upon the leverage ratio. During the current year, amounts between £80 million and £125 million have been drawn on facility. The Group has an overdraft facility of £10 million as part of the Group's cash pooling arrangements, which was undrawn at 31 December 2019.

The carrying value of financial liabilities have been assessed as materially in line with their fair values.

No security is currently provided over the Group's borrowings.

20. Provisions

	31 December 2019 £'000	31 December 2018 £'000
Restoration(i)	**3,393**	3,342
Dilapidations(ii)	**4,524**	4,920
Other(iii)	**–**	114
	7,917	8,376
Current	**738**	783
Non-current	**7,179**	7,593
	7,917	8,376

	Restoration(i) £'000	Dilapidations(ii) £'000	Other(iii) £'000	Total £'000
At 1 January 2019	**3,342**	**4,920**	**114**	**8,376**
Utilised	**–**	**–**	**(114)**	**(114)**
Credited to income statement	**(349)**	**(500)**	**–**	**(849)**
Unwind of discount/change in rate	**400**	**104**	**–**	**504**
At 31 December 2019	**3,393**	**4,524**	**–**	**7,917**

The current expected timeframe of provision requirements is as follows:

	Restoration(i) £'000	Dilapidations(ii) £'000	Other(iii) £'000
Within one year	**30**	**708**	**–**
Between two to five years	**175**	**382**	**–**
Between five to ten years	**160**	**1,833**	**–**
Between ten to twenty years	**557**	**1,507**	**–**
Over twenty years	**2,471**	**94**	**–**
	3,393	**4,524**	**–**

(i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated available reserves and the expected extraction rates. Whilst a significant element of the total provision will reverse in the medium term (two to ten years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life.
(ii) Provisions for dilapidations, which were recognised, arose as contingent liabilities recognised upon the business combination in the period ended 31 December 2015, are recognised on a lease by lease basis and are based on the Group's best estimate of the likely contractual cash outflows, which are estimated to occur over the lease term.
(iii) Other provisions relate to provisions for restructuring, Supplemental Executive Retirement Plan ("SERP"), product warranties, landfill and onerous contracts.

21. Post-employment benefit obligations

(a) Defined benefit plan

Analysis of movements in the net obligation during the year:

	31 December 2019 £'000	31 December 2018 £'000
Funded plan at 31 December		
Opening balance	**80,705**	46,064
Charge within labour costs and operating profit	**(1,511)**	(2,453)
Interest income	**2,269**	1,202
Remeasurement gain recognised in the statement of comprehensive income	**5,005**	28,892
Contributions	**2,188**	7,000
Carried forward at 31 December	**88,656**	80,705

21. Post-employment benefit obligations continued

The Group participates in the Ibstock Pension Scheme (the "Scheme"), a defined benefit pension scheme in the UK. The Scheme has four participating employers – Ibstock Brick Limited, Forticrete Limited, Anderton Concrete Products Limited and Figgs Bidco Limited. The Scheme was funded by payment of contributions to a separate trustee administered fund. The Scheme is a revalued earnings plan and provides benefits to its members based on their length of membership in the Scheme and their average salary over that period. Following consultation with members, accounting for the scheme's closure to future accrual occurred in the year ended 31 December 2016. As a result, benefits were reassessed as active members were transferred to deferred membership. The Scheme is administered by trustees who employ independent fund managers for the investment of the pension scheme assets. These assets are kept entirely separate from those of the Group.

Total annual contributions to the Scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities in respect of service up to the balance sheet date. The Scheme is subject to an independent actuarial valuation at least every three years using the projected unit method.

The valuation used as at 31 December 2019 has been based on the results of the 30 November 2017 valuation, as updated for changes in demographic assumptions, as appropriate.

On 26 October 2018, the High Court ruled that pensions provided to members who had contracted out of the additional state pension via their scheme must be recalculated to ensure payments reflect the equalisation of state pension ages in the 1990s. GMP equalisation will increase benefits for some members. This increased liabilities by around £1.5 million, which was allowed for as a past service cost in the expense recognised in the income statement for the year ending 31 December 2018.

Through its defined benefit pension plan, the Group is exposed to a number of risks that are inherent in such plans and arrangements. There are, however, no unusual, entity-specific or plan-specific risks, and no significant concentrations of risk. The risks can be summarised as follows:

- The Scheme holds return-enhancing assets (equities) and risk-reducing assets (cash flow-driven and liability-driven investments). Long-term returns from return-enhancing assets are expected to exceed the returns from risk-reducing assets, although returns and capital values may demonstrate higher volatility. The return-enhancing assets are not well correlated with movement of the liabilities. As such the deficit may increase as a result of asset volatility. The current allocation is 20% return enhancing / 80% risk-reducing assets and the Trustees' long-term target is to reach an allocation of 10% return-enhancing / 90% risk-reducing assets;
- risk of volatility in inflation rates as the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). The Scheme's inflation risk is further mitigated by the asset holdings in the cash flow-driven and liability driven investments; and
- longevity risk – increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the Scheme's liabilities.

The Company and Trustees have de-risked the Scheme's investment strategy by moving towards a position that is predominantly liability matching in nature based on the Trustees' long term funding target. This involves an Asset Liability Management ('ALM') framework that has been developed to achieve a holding in long-term investments that are in line with the obligations under the Scheme.

Within this framework the ALM objective is to match assets to the pension obligations by investing in risk-reducing assets (such as the cash flow-driven and liability-driven investments). The Company and Trustees actively monitor the investment strategy to ensure that the expected cash flows arising from the pension obligations are sufficiently met.

Balance sheet assets/(obligations):

	31 December 2019 £'000	31 December 2018 £'000
Equities	**134,273**	137,449
Liability driven investment	**201,403**	194,049
Bespoke cash flow-driven investment	**285,728**	238,450
Insured pensioners	**193**	204
Cash	**4,352**	4,274
Total market value of assets	**625,949**	574,426
Present value of scheme liabilities	**(537,293)**	(493,721)
Net scheme asset	**88,656**	80,705

All equities have a quoted market price in an active market, whilst cash and cash equivalents are unquoted. Liability Driven Investments ("LDI") are funds constructed to reduce the risk within the Scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. All assets held by the Scheme are Level 2 in the fair value hierarchy. The Scheme's LDI fund is managed by BMO. It is predominantly unquoted and is set up as a 'bespoke pooled fund' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the Scheme's other assets and cash flows. To reduce volatility risk, a LDI strategy forms part of the Trustees' management of the Scheme assets, comprising UK gilts, repurchase agreements and derivatives. At 31 December 2019, the LDI had a net asset value of £201.4 million (2018: £194.0 million). The liabilities comprised repurchase agreements, which are entered into to better offset the schemes exposure to interest and inflation rate, whilst remaining invested in assets of a similar risk profile. Additionally, during the prior year, the Group restructured its bond holdings and entered into a bespoke cash flow-driven investment held with M&G Investment managers in order to provide a flow of income to the Scheme and meet the liability requirements. This investment is structured in such a way as to satisfy the requirements of the Ibstock Scheme member population.

The amounts recognised in the income statement are:

	31 December 2019 £'000	31 December 2018 £'000
Exceptional past service cost (Note 5)	–	1,500
Administrative expenses	774	758
Exceptional administrative expenses (Note 5)	737	506
Multi employer scheme	–	235
Defined contribution scheme costs	5,290	5,675
Charge within labour costs and operating profit	**6,801**	8,674
Interest income	(2,269)	(1,202)
Total charge to the income statement	**4,532**	7,472

Remeasurements recognised in the statement of comprehensive income:

	31 December 2019 £'000	31 December 2018 £'000
Remeasurement gain/(loss) on defined benefit scheme assets	66,068	(38,493)
Remeasurement (loss)/gain from changes in financial assumptions	(67,412)	35,666
Remeasurement gain from changes in demographic assumptions	3,700	23,628
Experience gains	2,649	8,091
Other comprehensive income	5,005	28,892

Changes in the present value of the defined benefit obligations are analysed as follows:

	31 December 2019 £'000	31 December 2018 £'000
Present value of defined benefit obligation at beginning of period	(493,721)	(613,364)
Past service cost	–	(1,500)
Interest cost	(13,395)	(14,200)
Experience gains	2,649	8,091
Benefits paid	30,886	67,958
Remeasurement (loss)/gain arising from change in financial assumptions	(67,412)	35,666
Remeasurement gain arising from change in demographic assumptions	3,700	23,628
Present value of defined benefit obligations carried forward at 31 December	**(537,293)**	(493,721)

Changes in the fair value of plan assets are analysed as follows:

	31 December 2019 £'000	31 December 2018 £'000
Fair value of pension scheme assets at beginning of the year	574,426	659,428
Interest income	15,664	15,402
Remeasurement gain/(loss) on pension scheme assets	66,068	(38,493)
Employer contributions	2,188	7,000
Benefits paid	(30,886)	(67,958)
Administrative expenses	(1,511)	(953)
Fair value of pension scheme assets carried forward	**625,949**	574,426

21. Post-employment benefit obligations continued

Plan assets are comprised as follows:

	31 December 2019			
	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	**134,273**	**–**	134,273	
– UK equities	**21,456**	**–**	21,456	3%
– Overseas equities	**112,817**	**–**	112,817	18%
– Emerging market equities	**–**	**–**	–	0%
Liability driven investment	**–**	**201,403**	201,403	32%
Bespoke cash flow driven investment	**26,351**	**259,377**	285,728	45%
Insured pensioners	**–**	**193**	193	0%
Cash and net current assets	**–**	**4,352**	4,352	1%
Total	**160,624**	**465,325**	625,949	100%

	31 December 2018			
	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	137,449	–	137,449	
– UK equities	18,793	–	18,793	3%
– Overseas equities	90,976	–	90,976	16%
– Emerging market equities	27,680	–	27,680	5%
Liability driven investment	–	194,049	194,049	34%
Bespoke cash flow driven investment	25,699	212,751	238,450	41%
Insured pensioners	–	204	204	0%
Cash and net current assets	–	4,274	4,274	1%
Total	163,148	411,278	574,426	100%

During the prior year, based on the previous valuation (as at November 2014), a payment schedule was agreed with the Trustees of the Ibstock Pension Scheme so that the Scheme's deficit could be eliminated. This included the Group paying £7.0 million per annum under the Schedule of contributions until May 2021. This schedule of contributions is revised at the time of finalising each funding valuation and the new contribution level of £1.75 million per annum applied from February 2019 following completion of the funding valuation as at 30 November 2017. This level of contribution will continue to apply in the year ending 31 December 2020. The weighted average duration of the defined benefit obligation is 18 years (2018: 18 years). In the year ended 31 December 2019, other costs related to the closure of the Scheme to future accrual and activities to prepare the Scheme for a buy-in of £0.7 million (2018: £0.5 million) were incurred and classified as exceptional (see Note 5).

The principal assumptions used by the actuary in his calculations were:

	31 December 2019 Per annum	31 December 2018 Per annum
Discount rate	**2.00%**	2.80%
RPI inflation	**3.00%**	3.10%
CPI inflation	**2.00%**	2.10%
Rate of increase in salary	**N/A**	N/A
Rate of increase in pensions in payment	**3.55%**	3.65%
Commutation factors	**15.52**	15.52
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	**21.6 years**	21.7 years
For a female currently aged 65	**23.8 years**	23.9 years
For a male currently aged 40	**23.5 years**	23.6 years
For a female currently aged 40	**25.8 years**	25.9 years

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e., 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in Sterling and have a maturity of some 20 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2019 would decrease/increase by approximately 5%.

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	31 December 2019 £'000	31 December 2018 £'000
Present value of defined benefit obligations at 31 December 2019	**(537,293)**	(493,721)
0.25% increase in discount rate	**22,504**	20,679
0.25% decrease in discount rate	**(24,018)**	(22,070)
0.25% increase in salary growth rate	**–**	–
0.25% decrease in salary growth rate	**–**	–
0.25% increase in pension growth rate	**(13,742)**	(12,628)
0.25% decrease in pension growth rate	**13,208**	12,137
0.25% increase in inflation rate	**(13,301)**	(12,222)
0.25% decrease in inflation rate	**12,428**	11,420
1 year increase in life expectancy	**(23,419)**	(21,520)
1 year decrease in life expectancy	**23,202**	21,320

(b) Multi-employer scheme

Until the disposal of the Group's US operations on 23 November 2018, the Group participated in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union "AB&GW" and National Integrated Group Pension Plan "NIGPP". The charge in relation to these schemes for the year to December 2018 was £0.2 million. The Group had no ongoing liability in relation to the AB&GW or NIPP schemes as at 31 December 2018 or 31 December 2019.

(c) Defined contribution plan

The Group operates defined contribution schemes under the Ibstock pension scheme, the Supreme Concrete Limited pension scheme, the Anderton Concrete pension Scheme, the Supreme Concrete Group Personal Plan and the Longley Concrete Pension scheme. Contributions by both employees and Group companies are held in externally invested, externally administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £5.3 million (year ended 31 December 2018: £5.7 million).

22. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2019 £'000	31 December 2018 £'000
Net deferred tax liability at beginning of period	**(67,336)**	(65,290)
Arising on business combination	**(1,287)**	–
Differences on exchange	**–**	(282)
Tax charged to the consolidated income statement	**(689)**	(1,631)
Tax recognised within other comprehensive income	**(851)**	(5,357)
Tax credited/(charged) directly to equity	**508**	(184)
Discontinued operations	**–**	5,408
Net deferred tax liability at period end	**(69,655)**	(67,336)
Presented in the consolidated balance sheet after offset as:		
Deferred tax assets	**–**	–
Deferred tax liabilities	**(69,555)**	(67,336)
	(69,555)	(67,336)
Deferred tax assets and liabilities before offsetting of balances within the same tax jurisdiction are as follows:		
Deferred tax assets	**2,982**	2,474
Deferred tax liabilities	**(72,637)**	(69,810)
Net deferred tax liability at period end	**(69,655)**	(67,336)
Deferred tax assets expected to unwind within one year	**901**	27
Deferred tax assets expected to unwind after one year	**2,081**	2,447
	2,982	2,474
Deferred tax liabilities expected to unwind within one year	**(1,497)**	(1,626)
Deferred tax liabilities expected to unwind after one year	**(71,140)**	(68,184)
	(72,637)	(69,810)

22. Deferred tax assets/liabilities continued

The movement in the net deferred tax liability analysed by each type of temporary difference is as follows:

	Year ended 31 December 2019					As at 31 December 2019		
Deferred tax assets/(liabilities)	Net balance at 1 January 2019 £'000	Arising on business combination £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed assets	**(17,063)**	**(1,126)**	**1,218**	**–**	**–**	**(16,971)**	**–**	**(16,971)**
Tangible fixed assets	**(37,663)**	**(162)**	**(787)**	**–**	**–**	**(38,612)**	**147**	**(38,759)**
Right of use assets	**–**	**–**	**16**	**–**	**–**	**16**	**16**	**–**
Rolled over and held over capital gains	**(1,317)**	**–**	**(518)**	**–**	**–**	**(1,835)**	**–**	**(1,835)**
Employee pension liabilities	**(13,720)**	**–**	**(501)**	**(851)**	**–**	**(15,072)**	**–**	**(15,072)**
Provisions	**1,600**	**1**	**(28)**	**–**	**–**	**1,573**	**1,573**	**–**
Share incentive plans	**827**	**–**	**(89)**	**–**	**508**	**1,246**	**1,246**	**–**
Deferred tax assets/(liabilities) before offsetting	**(67,336)**	**(1,287)**	**(689)**	**(851)**	**508**	**(69,655)**	**2,982**	**(72,637)**
Offset of balances within the same tax jurisdiction							**(2,982)**	**2,982**
Net deferred tax assets/(liabilities)							**–**	**(69,655)**

	Year ended 31 December 2018						As at 31 December 2018		
Deferred tax assets/(liabilities)	Net balance at 1 January 2018 £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Discontinued operations £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed assets	(20,898)	(144)	1,225	–	–	2,754	(17,063)	–	(17,063)
Tangible fixed assets	(45,030)	(407)	15	–	–	7,759	(37,663)	47	(37,710)
Land revaluation	(822)	(46)	(4)	–	–	872	–	–	–
Rolled over and held over capital gains	(1,332)	–	15	–	–	–	(1,317)	–	(1,317)
Employee pension liabilities	(6,460)	125	347	(5,357)	–	(2,375)	(13,720)	–	(13,720)
Pension contribution spreading	3,015	–	(3,015)	–	–	–	–	–	–
Provisions	3,260	76	(266)	–	–	(1,470)	1,600	1,600	–
Share incentive plans	911	–	100	–	(184)	–	827	827	–
Tax losses	2,136	116	(55)	–	–	(2,197)	–	–	–
Other temporary differences	(70)	(2)	7	–	–	65	–	–	–
Deferred tax assets/(liabilities) before offsetting	(65,290)	(282)	(1,631)	(5,357)	(184)	5,408	(67,336)	2,474	(69,810)
Offset of balances within the same tax jurisdiction								(2,474)	2,474
Net deferred tax assets/(liabilities)								–	(67,336)

There are no unrecognised deferred tax assets or liabilities as at 31 December 2019 or the prior year end.

23. Financial instruments – risk management

Financial assets

	31 December 2019 £'000	31 December 2018 £'000
Trade and other receivables (Note 16)	**54,693**	51,506
Cash and cash equivalents	**19,494**	36,048
Total	**74,187**	87,554

Financial liabilities

	31 December 2019 £'000	31 December 2018 £'000
Trade and other payables (Note 18)	**80,591**	82,075
Borrowings (Note 19)	**104,345**	84,430
Total	**184,936**	166,505

All financial assets and liabilities are held at amortised cost.

Credit risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks and is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has significant sales contracts with a number of blue-chip companies and accordingly the Directors believe there is a limited exposure to credit risk, but this is actively monitored at the operational company Board level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. The loss allowance provision as at 31 December 2019 is set out as follows;

The ageing analysis of the trade receivables (from date of past due) assessed for impairment, but concluded as no impairment required, is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Not past due	**37,162**	33,607
Less than one month past due	**13,960**	13,269
One to six months past due	**3,365**	2,048
Six to twelve months past due	**168**	–
More than 12 months past due	**38**	13
	54,693	48,937

Other receivables are due to be received within the next 12 months.

The ageing analysis of the trade receivables (from date of past due) determined to be impaired is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Less than one month past due	**–**	1
One to six months past due	**117**	89
Six to twelve months past due	**93**	93
More than 12 months past due	**78**	106
	288	289

Movements in the provision for impairment of trade receivables are as follows:

	31 December 2019 £'000	31 December 2018 £'000
Opening balance	**(289)**	(581)
Charged to the income statement	**(14)**	227
Utilised	**2**	(1)
Released	**13**	52
Exchange movements	**–**	14
Closing impairment provision	**(288)**	(289)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is £55.0 million (2018: £49.2 million).

Other financial assets at amortised cost are insignificant and the associated credit risk is considered immaterial.

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's interest rate risk arises principally from the revolving credit facility and bank borrowings which attract floating rate interest, (see Note 19). The Group manages its interest rate risk by using a floating rate debt with varying repayment terms. The Group does not trade in derivative financial instruments and is not considered to be significantly exposed to this and other price risks. The exposure to currency risk is considered low.

Interest rate sensitivity analysis

For the Group's borrowings, sensitivity analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 % pt increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 % pt higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by £0.2 million (2018: decrease/increase by £0.1 million), which is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in the average level of the borrowings held.

23. Financial instruments – risk management continued

The exposure in different currency of financial assets and liabilities is as follows:

At 31 December 2019	Sterling £'000	US$ £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Cash and cash equivalents	**22,826**	**104**	**(3,436)**	**–**	**19,494**
Trade and other receivables (Note 16)	**53,547**	**–**	**1,146**	**–**	**54,693**
	76,373	**104**	**(2,290)**	**–**	**74,187**
Financial liabilities					
Borrowings (Note 19)	**(104,345)**	**–**	**–**	**–**	**(104,345)**
Trade and other payables (Note 18)	**(78,837)**	**(322)**	**(1,411)**	**(21)**	**(80,591)**
	(183,182)	**(322)**	**(1,411)**	**(21)**	**(184,936)**

At 31 December 2018	Sterling £'000	US$ £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Cash and cash equivalents	35,601	1,270	(823)	–	36,048
Trade and other receivables (Note 16)	50,313	–	1,193	–	51,506
	85,914	1,270	370	–	87,554
Financial liabilities					
Borrowings (Note 19)	(84,430)	–	–	–	(84,430)
Trade and other payables (Note 18)	(79,478)	(12)	(2,585)	–	(82,075)
	(163,908)	(12)	(2,585)	–	(166,505)

There are no material differences between the fair values and the book values stated above.

At 31 December 2019, the Group has negligible risk to currency fluctuations as the majority of assets and liabilities are held in the same functional currency.

Liquidity risk

The Group has generated sufficient cash from operations to meet its working capital requirements and finance its investing activities. The Group manages liquidity risk by entering into committed bank borrowing facilities to ensure the Group has sufficient funds available, and monitoring cash flow forecasts to ensure the Group has adequate borrowing facilities.

The maturity of the Group's borrowings is as follows:

At 31 December 2019	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Bank borrowings	**395**	**–**	**103,950**	**–**	**104,345**
Total	**395**	**–**	**103,950**	**–**	**104,345**

At 31 December 2018	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Bank borrowings	548	–	83,882	–	84,430
Total	548	–	83,882	–	84,430

At 31 December 2019 and 31 December 2018, the Group had a £215 million RCF facility. The facility was utilised throughout the year, resulting in an interest charge of £2.9 million (2018: £4.3 million).

See Note 19 for further details.

For details of the maturity of other financial liabilities, see Note 18.

The contractual non-discounted minimum future cash flows in respect of these borrowings are:

At 31 December 2019	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings:				
Bank borrowings	**2,156**	**107,525**	**–**	**109,681**
Total	**2,156**	**107,525**	**–**	**109,681**

At 31 December 2018	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings:				
Bank borrowings	1,833	89,083	–	90,916
Total	1,833	89,083	–	90,916

Fair value hierarchy

IFRS 13 'Financial Instruments: Disclosures' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 31 December 2019 and 31 December 2018, all of the Group's fair value measurements have been categorised as Level 2, except for quoted investments within the Group's pension (see Note 21), which were valued as Level 1.

Capital Risk Management

The capital structure of the Group consists of net debt (borrowings disclosed in Note 19 after deducting cash and bank balances) and equity of the Parent Company, comprising issued capital, reserves and retained earnings as disclosed in Note 25.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

The Group must comply with two covenants each half year from 30 June 2017. The covenants are certain ratios of interest cover and leverage, which are monitored on a regular basis by the Board. At the year end date, management believes significant headroom exists on both covenant conditions.

Dividend policy

Our dividend policy is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle (being the upward and downward movement of GDP around its long-term growth trend). This adjusted profit measure can be seen in Note 12 to the Group financial statements.

For the 2020 financial year, the company intends to modify this policy to pursue a sustainable, progressive dividend policy. At 31 December 2019, the Parent maintains significant distributable reserves of c.£412 million.

24. Share capital

	Number of shares	Share capital £'000
At 1 January 2018		
Issued, called up and fully paid:		
Ordinary Shares of £0.01 each	406,420,548	4,064
	406,420,548	4,064
Issue of Ordinary Shares of £0.01 each	64,971	1
At 31 December 2018	406,485,519	4,065
Issue of Ordinary Shares of £0.01 each	**2,774,266**	**28**
At 31 December 2019	**409,259,785**	**4,093**
Comprised of:		
Issued, called up and fully paid:		
Ordinary Shares of £0.01 each	**409,259,785**	**4,093**

In the year ending 31 December 2019, share capital increased by 2,774,266 shares (2018: 64,971 shares) as a result of the issue of Ordinary Share capital of £0.01 each to satisfy share options exercised in the year.

25. Reserves

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/redeemed at a premium (2019: £7.4 million; 2018: £0.9 million).

Merger reserve

The merger reserve of £369.1m arose on the acquisition of Figgs Topco Limited by Ibstock plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

Own shares held

The Group's holding in its own equity instruments is shown as a deduction from shareholders' equity at cost totalling £0.4 million at 31 December 2019 (2018: £1.7 million). These shares represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

26. Share incentive plans

Share based payment charges:

	Year ending 31 December 2019 £000	Year ending 31 December 2018 £000
Long-Term Incentive Plan 26(a))	**56**	557
Share Option Plan (26(b))	**114**	238
Annual and Deferred Bonus Plan (26(c))	**321**	88
Save As You Earn (26(d))	**213**	625
Share Incentive Plan (26(e))	**–**	265
	704	1,773

Executive share option plans

The Group operates a Long Term Incentive Plan (LTIP), a Share Option Plan (SOP) and an Annual and Deferred Bonus Plan (ADBP) share based payment awards for selected management.

(a) Long-Term Incentive Programme (LTIP)

The Group granted LTIPs during the year for key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. The LTIP awards contain performance conditions dependent upon the growth of the Group's adjusted earnings per share (EPS) and total shareholder return (TSR). Please refer to the information given in the Directors' Remuneration Report on pages 68 to 86 for details in relation to the vesting conditions in relation to the LTIP.

During the year, 822,890 options (2018: 614,484) over Ordinary Shares of 1p each were granted to management under the LTIP and 212,414 shares (2018: 70,382) were exercised at a share price at the date of exercise of 236p (2018: 195p). During the year ending 31 December 2019, 369,225 options (2018: 165,415) lapsed and at 31 December 2019, the weighted average contractual life remaining was 1.4 years (2018: 1.2 years).

(b) Share Option Plan (SOP)

The Group granted options under the Share Option Plan during the year at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. Under the SOP 260,526 options (2018: 443,386 options) over Ordinary Shares of 1p each were granted to management. In the year ended 31 December 2019, 791,399 options (2018: 10,838) were exercised under the SOP at a weighted average share price at the date of exercise of 251p (2018: 207p). In the year ended 31 December 2019, 89,813 options (2018: 332,203 options) lapsed. Awards granted in the year under the scheme have a specified exercise price of 262p (2018: 290p) and the weighted average exercise price of options outstanding is 239p (2018: 222p). At 31 December 2019, the weighted average contractual life remaining was 1.3 years (2018: 0.7 years). The SOP has an employment condition of three years and no other performance conditions.

(c) Annual and Deferred Bonus Plan (ADBP)

The ADBP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over Ordinary Shares. The ADBP operates in respect of the annual bonus earned for the financial year. The Board can determine that part of the bonus earned under the ADBP is provided as an award of deferred shares, which take the form of a £nil cost option. The maximum value of deferred shares is 50% of the bonus earned. In the year ended 31 December 2019, 61,759 options were awarded over Ordinary Shares under the ADBP was in relation to the 2018 year end bonus with options issued in April 2019. The main terms of these awards are a minimum deferral period of three years, during which no performance conditions will apply; and the participants' employment at the end of the deferral period. At 31 December 2019, the weighted average contractual life remaining was 1.2 years (2018: 1.9 years). In the current year, no options lapsed (2018: nil options) and at 31 December 2019, an amount of £0.4 million (2018: £0.5 million) had been recorded in accruals for the award relating to the bonus earned for the year ending 31 December 2019.

All employee share schemes

In addition to the Executive share option plans, the Group has two all-employee share based payment arrangements – the Save As You Earn (SAYE) and Share Incentive Plan (SIP) awards:

(d) SAYE

In order to participate in the Group's Sharesave Plan, an employee must enter into a linked savings contract with a bank or building society to make contributions from salary on a monthly basis over a three- or five-year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary Shares under the Sharesave Plan at a specified exercise price. In the year ending 31 December 2019, no awards were issued under this scheme (2018: 1,368,879 options). In the year, 269,790 (2018: 308,197) have lapsed and 2,774,266 (2018: 64,971) were exercised. At 31 December 2019. outstanding options had a contractual life remaining of 1.3 years and exercise price of 230p.

(e) SIP

On 18 December 2015, the Company announced a Share Incentive Plan (SIP) following the Group's IPO. Subject to qualifying employment conditions, all employees were entitled to apply for free shares up to a value of £800 depending on their period of service. The number of shares issued under the SIP in the year ended 31 December 2016 was 553,150. The free shares have a three year employment condition and no further vesting conditions. In the year ended 31 December 2019, 41,602 shares lapsed and 82,900 shares were exercised. The assumptions used to calculate the fair value of the main LTIP, SOP and ADBP awards granted during the year ended 31 December 2019 are detailed below:

	LTIP	SOP	ADBP
Grant date	3-May-19	3-May-19	3-May-19
Share price at grant date	2.62	2.62	2.62
Exercise price	Nil	2.62	Nil
Number of shares issued	822,890	260,526	61,759
Vesting period	3 years	3 years	3 years
Pricing model	Monte Carlo	Binomial	Binomial
% expected to vest	50%	80%	95%
Expected share price volatility	35.68%	35.68%	N/A
Expected dividend yield	N/A	5.94%	N/A
Expected option life	3 years	6.5 years	N/A
Fair value per share	2.05	0.54	2.59
Risk free rate	0.79%	1.04%	N/A

Awards under the Executive Share Option plans and All-employee share schemes are as follows:

	Executive Share options	All-employee schemes
Outstanding at 1 January 2019	**3,681,146**	**4,556,021**
Awards granted	**1,145,175**	**–**
Awards exercised	**(1,003,813)**	**(2,857,166)**
Awards lapsed/forfeited	**(608,078)**	**(311,392)**
Awards outstanding at 31 December 2019	**3,214,430**	**1,387,463**

In assessing the expected volatility level, due to Ibstock plc's short share price history, volatility of similar listed companies have been used as a proxy.

27. Leases and commitments

Amounts recognised within the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 £000	1 January 2019 £000
Right-of-use assets		
Buildings	**18,011**	**27,523**
Equipment	**9,911**	**7,806**
Vehicles	**2,557**	**2,202**
	30,479	**37,531**
Lease liabilities		
Current	**(6,586)**	**(5,934)**
Non-current	**(23,775)**	**(31,038)**
	(30,361)	**(36,972)**

In the year ended 31 December 2018, the Group only recognised lease assets and liabilities in relation to leases that were classified as finance leases under IAS 17 Leases.

Additions to the right-of-use assets during the year ended 31 December 2019 were £7.5 million.

27. Leases and commitments continued

Amounts recognised within the consolidated income statement

Depreciation charge of right-of-use assets relating to assets previously classified under operating leases

	2019 £000
Buildings	2,492
Equipment	3,599
Vehicles	380
	6,471
Interest expense elating to assets previously classified under operating leases (included within finance costs)	1,204
Reduction in operating lease expenses as a result of IFRS 16	(7,121)
Net lease liability released on disposal	(61)
Impact on Profit before taxation on implementation of IFRS 16	(493)

In addition, interest expense of £0.1 million and depreciation of £1.0 million relating to leases previously classified under finance leases was recognised within the consolidated income statement.

The impact on the Group's segmental disclosures for the year ended 31 December 2019 as a result of the transition to IFRS 16, is noted below:

	Adjusted EBITDA £000	Segment assets £000	Segment liabilities £000
UK Clay	5,203	17,148	(17,123)
UK Concrete	1,819	9,953	(10,025)
Unallocated	99	517	(583)
TOTAL	7,121	27,618	(27,731)

For the year ended 31 December 2019, profit before taxation reduced by £0.5 million as a result of the implementation of IFRS 16 and the Group's earnings per share decreased by 0.1 pence per share.

The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, factories, mobile plant and cars. Rental contracts are typically made for fixed periods of 3 to 20 years, but may have extension options, as described below and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (included in-substance fixed payments), less any incentives receivable;
- Variable lease payments that are based on an index or rate;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

An impairment assessment of the right-of-use assets was performed upon transition to IFRS 16 as at 1 January 2019, with no indicators identified. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense to profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets generally comprise IT-equipment.

(i) Variable lease payments

Some property leases contain variable lease payment terms that are linked to the extraction of raw materials. For individual properties, a percentage of the lease payments are on the basis of the variable payment terms. Variable lease payments that are dependent upon the level of extraction are recognised in profit or loss in the period in which the extraction which triggers that payment occurs. At 1 January 2019 and 31 December 2019, the value of variable lease payments and the impact of movements in the Group's levels of extraction are insignificant.

(ii) Extension and termination options

Extension and termination options are included in a small number of property leases across the Group. The majority of such options are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the future cash outflows if the lease is reasonably certain to be extended (or not terminated). This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

Prior to the adoption of IFRS 16:

The Group as lessee

Commitments under non cancellable operating leases due are as follows:

	31 December 2018		
	Land and buildings £'000	Other £'000	Total £'000
Within 1 year	3,547	2,880	6,427
Between one and five years	11,013	3,569	14,582
After 5 years	20,493	81	20,574
	35,053	6,530	41,583

The Group is lessee on a number of properties in addition to plant and machinery which it uses in its operations. The operating leases run for a variety of terms and their non-cancellable commitments are set out above. There is no material contingent rent payable, renewal or purchase options, escalation clauses or restrictions imposed by the lease agreements.

The Group as lessor

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2019 £'000	31 December 2018 £'000
Within 1 year	**6**	658
Between one and five years	**114**	1,075
After 5 years	**540**	1,053
	660	2,786

The Group acts as lessor on a number of properties where it leases surplus land not currently utilised by the business. The operating leases run for a variety of terms and their future minimum lease payments receivable are set out above.

Capital commitments

Capital expenditure contracted for not yet incurred at the balance sheet date is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Amount contracted for which has not been provided	**19,602**	6,325

28. Notes to the Group cash flow statement

Cash flows from operating activities	**Year ended 31 December 2019 £'000**	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2018 £'000
Profit before taxation	**81,608**	92,516	1,801	94,317
Adjustments for:				
Depreciation	**28,999**	18,249	4,310	22,559
Amortisation of intangible assets	**6,410**	6,156	250	6,406
Finance costs	**2,032**	3,475	–	3,475
Gain on disposal of property, plant and equipment	**(1,773)**	(11,207)	(5)	(11,212)
Loss on disposal of subsidiary undertaking	**–**	–	2,576	2,576
Movement in contingent consideration	**–**	(1,892)	–	(1,892)
Research and development taxation credit	**(1,650)**	(2,500)	–	(2,500)
Share based payment	**704**	1,773	–	1,773
Post-employment benefits	**(677)**	(4,236)	(137)	(4,373)
Other	**199**	–	38	38
	115,852	102,334	8,833	111,167
Increase in inventory	**(16,092)**	(10,194)	(4,822)	(15,016)
Decrease/(increase) in debtors	**2,222**	(12,091)	(3,916)	(16,007)
(Decrease)/increase in creditors	**(8,942)**	16,587	(717)	15,870
(Decrease)/increase in provisions	**(963)**	(1,627)	107	(1,520)
Cash generated from operations	**92,077**	95,009	(515)	94,494

Discontinued operations do not have material cash flows during the current year. The profit before taxation in 2019, above, includes profit before tax of £383,000 from discontinued operations.

29. Group subsidiaries

Ibstock plc had the following subsidiaries as at 31 December 2019:

Entity	Principal activity	Registration number	Country of incorporation	Proportion of Ordinary Shares held directly by the Parent	Proportion of Ordinary Shares held by the Group
Ibstock Building Products Ltd^	Holding Company	09329395	UK	100%	100%
Figgs Bidco Ltd	Holding Company	09332893	UK	100%	100%
Ibstock USA Ltd (formerly Figgs Bidco 2 Ltd)	Holding Company	09415340	UK	100%	100%
Ibstock Group Ltd	Holding Company	00984268	UK	100%	100%
Forticrete Ltd	Manufacturer of concrete products	00221210	UK	100%	100%
Home Building Supplies Ltd[2]	Sale and distribution of building materials	07350732	UK	100%	100%
Baldwin Industries Ltd	Holding Company	01516334	UK	100%	100%
Anderton Concrete Products Ltd	Manufacturer and supplier of precast and prestressed concrete products	01900103	UK	100%	100%
Oakhill Holdings Ltd	Holding Company	04077204	UK	100%	100%
Supreme Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	01410463	UK	100%	100%
Gee-Co Holdings Ltd	Dormant	02480251	UK	100%	100%
Ibstock Brick Holding Company Ltd	Holding Company	00784339	UK	100%	100%
Ibstock Brick Ltd	Brick manufacturer	00063230	UK	100%	100%
Ibstock Manufacturing Services Ltd	Dormand	12292985	UK	100%	100%
Ibstock Leasing Ltd	Dormant	05378321	UK	100%	100%
Ibstock Management Services Ltd[3]	Dormant	11953	Jersey	100%	100%
Ibstock Finance Co Ltd[3]	Dormant	51710	Jersey	100%	100%
Kevington Building Products Ltd	Dormant	02122467	UK	100%	100%
Ibstock Brick Leicester Ltd	Dormant	00106667	UK	100%	100%
Ibstock Brick Aldridge Ltd	Dormant	00614225	UK	100%	100%
Ibstock Brick Himley Ltd	Dormant	00092769	UK	100%	100%
Ibstock Westbrick Ltd	Dormant	01606990	UK	100%	100%
Ibstock Brick Aldridge Property Ltd	Dormant	00251918	UK	100%	100%
Moore & Sons Ltd[2]	Dormant	00118818	UK	100%	100%
Manchester Brick & Precast Ltd	Dormant	02888297	UK	100%	100%
Ibstock Brick Nostell Ltd	Dormant	00531826	UK	100%	100%
Ibstock Brick Roughdales Ltd	Dormant	00598862	UK	100%	100%
Ibstock Brick Cattybrook Ltd	Dormant	00011298	UK	100%	100%
Ibstock Hathernware Ltd	Dormant	00424843	UK	100%	100%
Ibstock Bricks (1996) Ltd	Dormant	00246855	UK	100%	100%
Wealdbeam Systems Ltd[2]	Dormant	06932047	UK	100%	100%
Loopfire Systems Ltd[2]	Dormant	04105160	UK	100%	100%
Longley Holdings Ltd	Holding Company	02027916	UK	100%	100%
Longley Precast Ltd	Dormant	00888875	UK	100%	100%
Longley Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	00440463	UK	100%	100%

The country of incorporation is the same as the place of business for all the above entities. All entities have the same registered office as the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire, LE67 6HS except those subsidiary entities with numerical superscripts.

2 Coppingford Hall, Sawtry, Huntingdon, Cambridgeshire, PE28 5GP.

3 47 Esplanade, St Hellier, Jersey, Channel Isles, JE1 0BD.

All dormant entities have taken exemptions under s394A of the Companies Act 2016 from preparing accounts and s448S for filing individual accounts.

^ Ibstock Building Products Ltd is owned directly by Ibstock plc. All other companies are indirectly owned.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of Ordinary Shares held. At 31 December 2019, the Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

30. Related party transactions
Balances and transactions between the Ibstock plc (the ultimate Parent) and its subsidiaries (listed in Note 29), which are related parties, are eliminated on consolidation and are not disclosed in this note.

See Note 7 for details of Director and key management personnel remuneration.

There are no further related party transactions in the year ended 31 December 2019 or 31 December 2018.

31. Contingent liabilities
Contingent liabilities in the prior year were initially provided for upon the acquisition which took place in the period ended 31 December 2015. There are no further contingent liabilities as at 31 December 2019 or 31 December 2018.

32. Dividends paid and proposed

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Final dividend for 2018: 6.5 pence (2017: 6.5 pence)	**26,540**	26,418
Supplementary dividend paid in 2019: 5.0 pence (2018: 6.5 pence)	**20,444**	26,419
Interim dividend for 2019: 3.2 pence (2018: 3.0 pence)	**13,084**	12,194
	60,068	65,031
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2019: 6.5 pence (2018: 6.5 pence)	**26,602**	26,423
	26,602	26,423

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 6.5 pence per ordinary share (2018: 6.5 pence) which will distribute an estimated £26.6 million (2018: £26.4 million) of shareholders funds. It will be paid on 8 June 2020 to those shareholders who are on the register at 11 May 2020 subject to approval at the Group's Annual General Meeting.

33. Post balance sheet events
Except for the proposed dividend (see Note 32), no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified since the balance sheet date.

Company balance sheet
(prepared in accordance with UK GAAP – FRS 102)
Company number : 09760850

As at 31 December 2019	Notes	31 December 2019 £'000	31 December 2018 £'000
Fixed assets			
Investments	4	**626,195**	625,491
Current assets			
Debtors	5	**3,860**	200
Cash at bank and in hand		**887**	10
		4,747	210
Creditors – amounts falling due within one year	6	**(208,130)**	(142,656)
Net current liabilities		**(203,383)**	(142,446)
Total assets less current liabilities		**422,812**	483,045
Net assets		**422,812**	483,045
Capital and reserves			
Called up share capital	8	**4,093**	4,065
Share premium		**7,441**	917
Own shares held		**(435)**	(1,683)
Profit and loss account		**411,713**	479,746
Total equity		**422,812**	483,045

The notes on pages 136 to 139 are an integral part of these financial statements. As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented in these financial statements. The Parent Company's loss after tax for the year was £5.6 million (year ended 31 December 2018: profit of £8.3 million).

These financial statements were approved by the Board on 2 March 2020, were authorised for issue and signed on its behalf by:

J Hudson
Director

C McLeish
Director

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Own shares held £'000	Total equity £'000
Balance as at 1 January 2019		**4,065**	**917**	**479,746**	**(1,683)**	**483,045**
Loss for the year		**–**	**–**	**(5,578)**	**–**	**(5,578)**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the financial year		**–**	**–**	**(5,578)**	**–**	**(5,578)**
Transactions with owners:						
Issue of share capital	8	**28**	**5,826**	**(1,637)**	**–**	**4,217**
Share based payments		**–**	**–**	**704**	**–**	**704**
Purchase of own shares		**–**	**–**	**–**	**(1,176)**	**(1,176)**
Issue of own shares held on exercise of share options		**–**	**698**	**(1,454)**	**2,424**	**1,668**
Equity dividends		**–**	**–**	**(60,068)**	**–**	**(60,068)**
Transactions with owners		**28**	**6,524**	**(62,455)**	**1,248**	**(54,655)**
Balance at 31 December 2019		**4,093**	**7,441**	**411,713**	**(435)**	**422,812**
Balance as at 1 January 2018		4,064	781	534,695	–	539,540
Profit for the year		–	–	8,347	–	8,347
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the financial year		–	–	8,347	–	8,347
Transactions with owners:						
Issue of share capital	8	1	136	(38)	–	99
Share based payments		–	–	1,773	–	1,773
Purchase of own shares		–	–	–	(1,865)	(1,865)
Issue of own shares held on exercise of share options		–	–	–	182	182
Equity dividends		–	–	(65,031)	–	(65,031)
Transactions with owners		1	136	(63,296)	(1,683)	(64,842)
Balance at 31 December 2018		4,065	917	479,746	(1,683)	483,045

The notes on pages 136 to 139 form an integral part of these financial statements.

1. Authorisation of financial statements

The Parent Company financial statements of Ibstock plc ("the Company") for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 2 March 2020 and the balance sheet was signed on its behalf by J Hudson and C McLeish.

Ibstock plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. The Company's Ordinary Shares are traded on the London Stock Exchange. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the Company registration number is 09760850.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditors Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 42 and 45. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 87 to 89. In addition, Note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments, and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance and liquidity will remain strong. The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group the Board has concluded that the going concern basis of accounting of its financial statements is appropriate for a period of at least 12 months from approval of the financial statements.

In considering the Group's going concern status, management has modelled the impact of a financial downturn (including possible outcomes of Brexit) and has concluded that there will be no material impact of the Group's ability to continue as a going concern. In addition, see the Group's viability statement set out on page 47.

Fixed asset investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment and net of merger and Group reconstruction relief available.

Share based payments

The Company operates a number of equity-settled share based compensation plans on behalf of the Group. The fair value of the employee services received under such plans is capitalised as an investment in the Company's subsidiary until such time as intra-Group recharges are levied by the Company to recover this cost from its subsidiaries. Upon recharge, the amounts recharged are treated as a return of capital contribution and recorded as a credit to equity (up to the value of the initial share based payment treated as a capital contribution). Any recharge in excess of the capital contribution is recognised within the Company income statement. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments. For further details of share based payments, see Note 26 of the Group financial statements.

Dividend distribution

Dividend distributions to Ibstock's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

Financial instruments

(i) Objectives and policies

The Company, in common with its Group subsidiaries, must comply with the Group's finance guidelines that set out the principles and framework for managing Group-wide finances. Further information on the Group's policies and procedures is available in the Group financial statements. The Company does not enter into speculative treasury arrangements.

(ii) Foreign exchange, credit, liquidity and financial risks

Foreign exchange risk management

The Company primarily transacts in Sterling and therefore exposure to foreign exchange risk is regarded as low.

Credit risk management

For the Company, this risk arises from cash and cash equivalents and deposits with banks. This is managed on a Group basis and there are a number of initiatives underway to mitigate this risk. These include concentrating activities with a group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors.

Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by the Group.

The Company has adopted IAS 39 for 'recognition and measurement of financial instruments'.

(iii) Financial assets

Financial assets, including preference shares, trade and other receivables, loans to fellow Group companies and cash and bank balances, are initially recognised at fair value.

Such assets are subsequently carried at amortised cost using the effective interest method.

(iv) Financial liabilities

Financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at fair value.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method in accordance with IAS 39.

Taxation
Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the period in which such a determination is made.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

Share capital
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are shown in equity as a deduction, from the proceeds.

Related parties
The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Disclosure exemptions
In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

(a) under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that its cash flows are included within the Ibstock plc Group consolidated financial statements.

(b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share based payment disclosure requirements as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such only disclose a reconciliation of shares outstanding between the beginning and end of the year and not the prior year.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing intragroup transactions with wholly owned subsidiaries.

Critical accounting judgements and key sources of estimation uncertainty
No critical judgements or key sources of estimation uncertainty were made in applying the Company's accounting policies for the year ended 31 December 2019.

3. Employee information
The Company has no employees. Non-Executive Directors of the Company are employed under letters of appointment. Full details of the Executive and Non-Executive remuneration is disclosed in the Annual Report on Remuneration on pages 68 to 86. For further details of Directors' remuneration, refer to Note 7 of the Group financial statements.

4. Fixed asset investments

Cost	Investment in subsidiary undertakings £'000
At 1 January 2018	499,601
Additions – A preference shares in subsidiary undertakings – accrued interest	7,258
Additions – forgiveness of debt owed by subsidiary undertakings	116,859
Additions – fair value of share incentives issued to Group employees	1,773
At 31 December 2018	625,491
Additions – fair value of share incentives issued to Group employees	704
At 31 December 2019	**626,195**

5. Debtors

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed by subsidiary undertakings	**2,202**	–
Group relief receivable	**1,348**	–
Prepayments and other debtors	**310**	200
	3,860	200

6. Creditors – amounts falling due within one year

	31 December 2019 £'000	31 December 2018 £'000
Amounts owed to subsidiary undertakings	**203,316**	132,883
Accruals and other creditors	**2,664**	2,428
Bank overdraft	**2,150**	7,345
	208,130	142,656

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free. The Group has a cash pooling arrangement with the bank.

7. Financial instruments

The Company has the following financial instruments:

	Loans and receivables	
	31 December 2019 £'000	31 December 2018 £'000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by subsidiary undertakings	**2,202**	–
Group relief receivable	**1,348**	–
Cash and bank balances	**887**	10
	4,437	10

	Loans and payables	
	31 December 2019 £'000	31 December 2018 £'000
Financial liabilities measured at amortised cost:		
Amounts owed to subsidiary undertakings	**203,316**	132,883
Accruals and other creditors	**2,664**	2,428
Bank overdraft	**2,150**	7,345
	208,130	142,656

The Company has no derivative financial instruments. The fair value of the financial instruments is equal to their carrying values.

8. Called up share capital

		Number of shares	Share Capital £'000
Issued, called up and fully paid:			
At 1 January 2019	Ordinary Shares of £0.01 each	**406,485,519**	**4,065**
Shares issued in the year	Ordinary Shares of £0.01 each	**2,774,266**	**28**
At 31 December 2019		**409,259,785**	**4,093**

In the current year, share capital has increased by 2,774,266 Ordinary Shares of £0.01 as a result of the issue of shares to satisfy share options exercised in the year. Details of outstanding share options and other awards relating to the Company's share awards are included in Note 26 to the Group financial statements.

9. Contingent liabilities

The Company has guaranteed all Group bank borrowings as detailed in Note 19 of the Group financial statements. As part of the Group's joint and several liability, the Company is a party to the guarantee of the Group's VAT liability, which is approximately £40 million per annum.

10. Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group. See Note 30 of the Group financial statements.

The ultimate Parent Company and the smallest and largest group to consolidate these financial statements is Ibstock plc.

Share awards to key management personnel resulted in an amount of £0.2 million in the year ended 31 December 2019 (year ended 31 December 2018: £0.7 million), which has been taken to the fixed asset investment. See Note 26 and the Directors' Remuneration Report on pages 68 to 86 of the Group Corporate Governance statement for further details of share based payments.

11. Post balance sheet events

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 6.5 pence per ordinary share (2018: 6.5 pence per ordinary share) which will distribute an estimated £26.6 million (2018: £26.4 million) of shareholders' funds. It will be paid on 8 June 2020 to those shareholders who are on the register at 11 May 2020 subject to approval at the Company's Annual General Meeting. See Note 32 of the Group financial statements.

See Note 33 of the Group financial statements for details of other post balance sheet events.

Board of Directors
Jonathan Nicholls
(Non-Executive Chairman)

Tracey Graham
(Senior Independent Non-Executive Director)

Louis Eperjesi
(Independent Non-Executive Director)

Claire Hawkings
(Independent Non-Executive Director)

Justin Read
(Independent Non-Executive Director)

Joe Hudson
(Chief Executive Officer)

Chris McLeish
(Chief Financial Officer)

Kate Tinsley
(Executive Director)

Company Secretary
Nick Giles

Auditors
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Joint corporate brokers
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

UBS AG London Branch
5 Broadgate
London
EC2M 2QS

Financial PR
Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London
EC2M 5SY

Solicitors
Allen & Overy LLP
One Bishops Square
London
E1 6AD

Remuneration consultants
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Actuary
Buck
160 Queen Victoria Street
London
EC4V 4AN

Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

0871 664 0300

From overseas call +44 (0)371 664 0300 calls cost 12p per minute plus your phone company's access charge.

Calls outside the United Kingdom will be charged at the applicable international rate.

Open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales or email Link at enquiries@linkgroup.co.uk.

Company registration number
09760850

Registered office
Leicester Road
Ibstock
Leicestershire
LE67 6HS
United Kingdom
Tel: +44 (0)1530 261 999

Corporate website
www.ibstockplc.co.uk

Brand websites
Ibstock Brick – www.ibstockbrick.co.uk
Ibstock Kevington – www.ibstockbrick.co.uk/kevington
Forticrete – www.forticrete.co.uk
Supreme – www.supremeconcrete.co.uk
Anderton – www.andertonconcrete.co.uk
Longley – www.longley.uk.com

Cautionary Statement

This Annual Report and Accounts has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report and Accounts involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Design and production:
Gather
+44 (0)20 7610 6140
www.gather.london

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Printed on FSC® certified paper by an EMAS certified printing company, its Environmental Management System is certified to ISO 14001. 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled. This document is printed on Lumi Silk, a paper containing 100% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free ("ECF") process.

Ibstock Plc

Ibstock plc
Leicester Road
Ibstock
Leicestershire
LE67 6HS
United Kingdom

Telephone +44 (0)1530 261 999

www.ibstockplc.co.uk