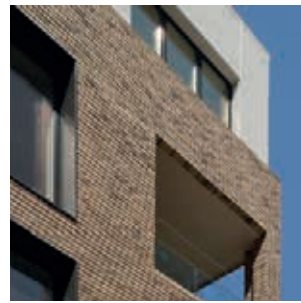


**IBSTOCK** PLC

# Building Opportunity

Annual Report & Accounts 2015



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# At a glance

Ibstock plc is a leading manufacturer of clay bricks and concrete products with operations in the United Kingdom (UK) and the United States (US). Our principal products are clay bricks, brick components, concrete roof tiles, concrete stone masonry substitutes, concrete fencing, pre-stressed concrete products and concrete rail products. Our range of products are manufactured, marketed and distributed by Ibstock Brick, Supreme Concrete, and Forticrete in the UK, and Glen-Gery in the US.

## Financial Highlights

Statutory reported revenue

**£358<sub>m</sub>**

Adjusted revenue<sup>1</sup>

**£413<sub>m</sub>**

Statutory reported profit after taxation

**£102<sub>m</sub>**

Adjusted EBITDA<sup>1&2</sup>

**£107<sub>m</sub>**

Statutory EPS

**35.2<sub>p</sub>**

Net debt

**£145<sub>m</sub>**

Dividend per share

**4.4<sub>p</sub>**

1 Adjusted measures are the full 12-month trading results set out in Note 24 to the financial statements and reconciled to our statutory results on page 39.

2 Adjusted EBITDA is the 12-month earnings before interest, taxation, depreciation and amortisation after adjusting for exceptional items.

## Our five key strengths

### 1. Market leader

Our market-leading businesses will enable us to benefit from the expected growth in demand in the UK and our regional markets within the US.

- 40% of UK market share based on volume of bricks sold in 2014 (excluding imports).

### 2. Scale

We have 28 clay and 15 concrete plants throughout the UK and US manufacturing over 500 varieties of bricks coupled with ownership of valuable long-term clay reserves.

- 43 manufacturing sites; 33 UK sites and 10 US sites.
- Over 150 million tonnes of clay reserves.
- Realisable production capacity of 1.2 billion bricks per annum.

### 3. Long-standing customer relationships

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 in our market share in bricks over the past 10 years.

### 4. Growing capacity

In the UK, demand for building products is anticipated to increase due to Government support for new house-building, increasing household formations and population growth. We are investing in the latest technology to increase capacity and to meet the growing market demands.

- Ibstock Brick's Chesterton plant was built in 2013 to consolidate production from two previous sites and increased site capacity by approximately 67% per annum.
- The new Leicester plant, due to be commissioned in the second half of 2017, is expected to add capacity of 100 million bricks per annum.

### 5. Highly experienced management team

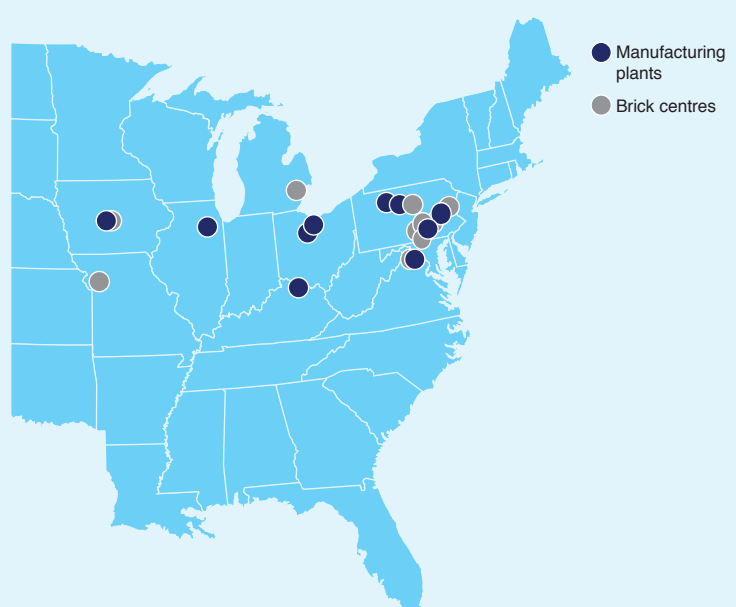
Our management team has extensive experience in the building products market and our CEO and CFO have combined experience of nearly 50 years at Ibstock.

## Where we operate

### United Kingdom

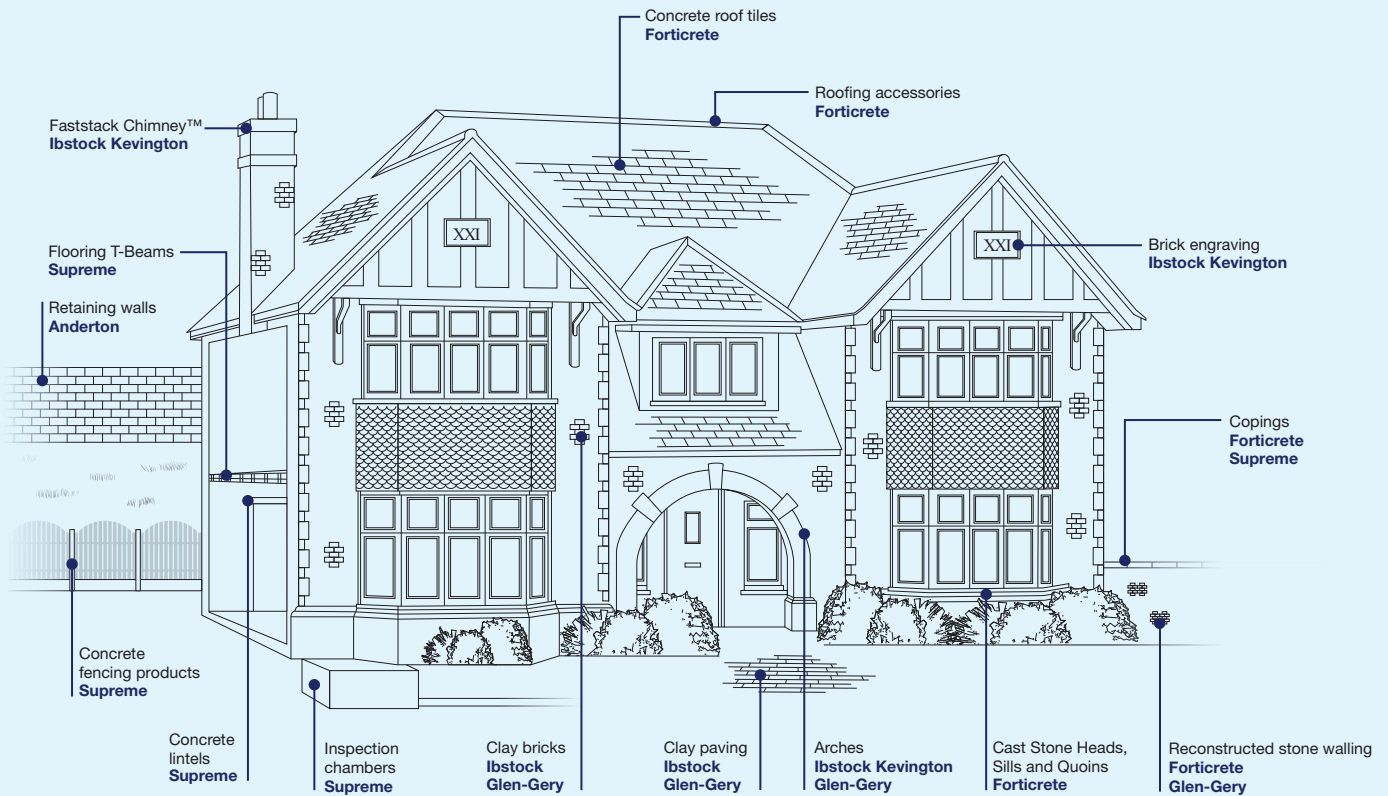


### North America





## What we do



## Our brands

Anderton\*

Forticrete

Glen-Gery

IBSTOCK

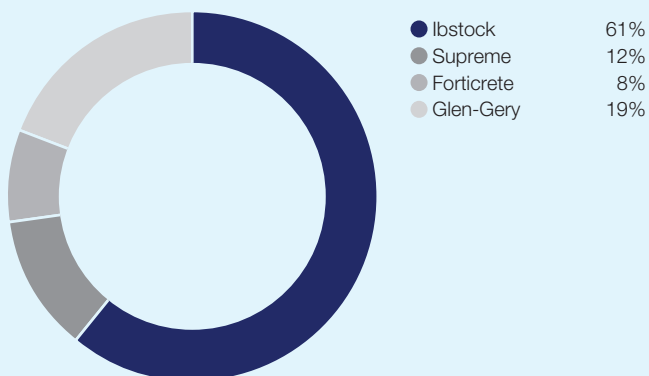
IBSTOCK KEVINGTON\*

SUPREME

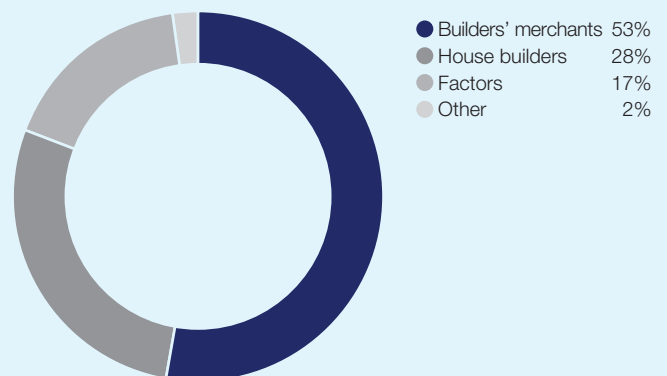
\* Anderton is a brand of Supreme Concrete and Ibstock Kevington is a brand of Ibstock Brick.

## Key figures

### Split of revenue



### Group revenue by end market



Capital expenditure

£13.1m

Many key customer relationships exceed

40yrs

Number of employees

2,695

**With nearly 200 years' experience we have the scale, capability and ambition to meet the growing demands of our market. Together with our imagination, knowledge and insight, we make the most of where the market is heading; not just reacting to it but innovating to deliver market-leading end-to-end solutions. In short we are continually building opportunity.**

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# Opportunity

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Manufacturing sites

# 43

With manufacturing sites across the UK and US, we are well placed to meet market demand.

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Further reading

> **Strategy**  
Page 22

> **Risk**  
Page 30

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The Group's products are widely used in new house building.





# Technology

New technology at Chesterton allows

# +80m

Brick capacity – as we invested £22m in the latest technology allowing us to increase output and efficiency.

Further reading

> **Strategy**  
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> **Risk**  
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Advanced robots are used at Ibstock's brick factory at Chesterton.



# Innovation

---

Spend on the Gemini tile line factory

# £18m

Investment in innovation allows us to develop our product range and maintain our market leadership position.

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Further reading

- > **Strategy**  
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Manufacturing Forticrete's Queen's Award winning Gemini roof tiles at Leighton Buzzard.





# Resource

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Tonnes of clay reserves

# 150m+

The Group has in excess of 150 million tonnes of clay reserves.

---

Further reading

> **Strategy**

Page 22

> **Risk**

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Extensive clay reserves at Ibstock.



# Chairman's Statement



**The Ibstock plc Group is a family of building products brands, and a leading manufacturer of a diversified range of clay and concrete products.”**

This is our first Annual Report as a public company and I am delighted to welcome you as a shareholder.

2015 was an eventful year for the Group. In February, Ibstock Group businesses comprising Forticrete, Supreme, Ibstock Brick and Glen-Gery were acquired by Bain Capital and left the CRH plc group. Then, in October 2015, the Group completed a successful listing on the London Stock Exchange, marking its return to the public markets. I joined the Ibstock Board in September 2015 at what was, and continues to be, an exciting time for the Ibstock Group.

The Group is a family of brands of building products with a diversified range of clay and concrete products. We are a leading manufacturer of clay bricks and concrete products with operations in both the UK and the US.

#### **The market and our strategy**

The macroeconomic environment, and specifically demand for new homes, has a significant influence on the Group's performance. Housing market fundamentals in both of our key geographies today are positive, and I believe the Group is well positioned to benefit from the continuing demand for new housing.

The Group's strategy of growth through investment and product innovation, together with expansion of its existing product portfolios, has been at the heart of its success over many years. This approach continues today with a significant new brick plant under construction in Leicestershire and a new roof tile manufacturing plant being built at Leighton Buzzard.

Our strategy is discussed in more detail on pages 22 and 23.



## Our results

The Group's results for the period were in line with expectations set at the time of the IPO in October 2015. As discussed in more detail in the CFO's report, the statutory results for the Group cover the period from November 2014 to the end of 2015 and include only 10 months' trading results from the operating businesses. Consequently, to give shareholders a more representative understanding of the Group's underlying performance we are also presenting our adjusted results for the 2015 and 2014 calendar years, so that a clearer picture of our business can be seen on a full 12-month basis with comparatives.

Reported statutory revenue was £358,331,000 and the statutory profit after taxation for the period was £101,574,000, with EPS of 35.2p. Our adjusted results for the 12-month period saw revenue of £413,828,000 and adjusted EBITDA of £107,014,000.

We have proposed a final dividend of 4.4p per share, which is in line with our dividend policy of distributing 40 to 50% of our adjusted profit after tax over a business cycle.

## Board and corporate governance

Our business is run by an extremely experienced management team – Wayne Sheppard, Chief Executive Officer and Kevin Sims, Chief Financial Officer, have a combined experience of nearly 50 years with the Group and more within the Building Products market. Becoming a listed business has necessitated some changes in the way we work, the formation of the plc Board with strong independent Directors being central to these changes.

As Chairman, one of my prime responsibilities is setting and maintaining the appropriate Corporate Governance framework and ensuring the business puts a qualified group of Non-Executive Directors together to support this. I am delighted to have had three such Directors bring their experience to the Board to date.

Jonathan Nicholls, our Senior Independent Director, brings over 17 years of experience at senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development. He is a chartered accountant and now serves as our Audit Committee Chairman. Jonathan's experience within the sector and financial background will be of great value to us.

Michel Plantevin and Matthias Boyer Chammard both joined the Group in February 2015 after Bain Capital acquired the Ibstock group of businesses. Michel serves as managing director of Bain Capital Europe LLC, a role he has held for over 12 years, and Matthias currently serves as a Principal of Bain Capital Europe LLC, a role he has held for over four years. Both bring

great experience as Non-Executive Directors to a range of companies, which will continue to bring insight and support to the Group as we grow as a public company.

I am grateful to Jonathan, Michel and Matthias for their invaluable help and support in the process that led to our listing in October 2015. We are now tackling the governance requirements of moving from private equity ownership to being a Group within the public environment. This is discussed in more detail in our Corporate Governance Statement on pages 44 to 50.

In February this year, we appointed Tracey Graham and Lynn Minella to the Board. Both have joined the Board's Remuneration Committee, Audit Committee and Nomination Committee, and Lynn has become Chair of the Remuneration Committee. I am delighted to welcome Tracey and Lynn to the Board. Together they bring a wealth of experience that will be of great benefit to Ibstock as we continue to develop our business.

The performance of the business, and our success, is down to the hard work of all of our employees across the Group. I wish to thank all of our colleagues for their excellent work over this period.

## Outlook

As is usual at this early point in the new financial year, we have limited forward visibility ahead of the important Spring trading period but at this point, our full year expectations are unchanged.

In the UK, brick sales into the UK new build residential market, and most all other sectors including non-residential and infrastructure, are growing to expectation. Sales via distributors' yards, which mainly flow into the RMI market, are being impacted by some destocking. However, we anticipate that this situation will improve as we progress into the Spring. The overall effect is that the UK clay business has made a slower start to the year than expected. Both our UK concrete and US brick businesses have made a good start to 2016.

Market fundamentals remain positive in both the UK and US, with demand for new housing remaining robust. In the UK, the Construction Products Association is forecasting further growth in both the residential and RMI markets in 2016 and we are planning for another year of progress.

**Jamie Pike**  
**Non-Executive Chairman**  
 10 March 2016

## Our history

Ibstock plc is headquartered in the village of Ibstock in the East Midlands of England, where its predecessor entity, Ibstock Collieries Ltd, was founded nearly 200 years ago. Each of the Group's companies are long-established businesses; in addition to Ibstock Brick, Glen-Gery has been operating since 1890, Forticrete since the late 1920s and Supreme since 1979.

Ibstock was first listed on the London Stock Exchange in 1963. It acquired Glen-Gery in the US in 1979 and the UK brick operations were expanded by acquiring Tarmac Bricks in 1995, Redland Bricks in 1996 and Hepworth Brick in 1999. Ibstock also acquired certain concrete operations in the 1990s.

In 1999, CRH plc acquired Ibstock. Under CRH's ownership, the management of Ibstock diversified the clay operations of CRH in Great Britain with the acquisition of Kevington Building Products Ltd in 2001 and Manchester Brick in 2005. The management of Ibstock also expanded CRH's concrete products operations in Great Britain with the acquisition of Supreme Concrete Ltd and Anderton Concrete Products Ltd in 2006 and 2007, respectively.

In February 2015, Bain Capital acquired Ibstock and its subsidiaries from CRH.

Ibstock re-joined the public markets when it listed on the London Stock Exchange in October 2015.



# Q&A with Wayne Sheppard, CEO



**I am excited by the increased opportunity we now have to develop Ibstock, working with the incredibly committed teams that we have in the businesses."**



**Q. What are Ibstock's key strengths?**

A. One of Ibstock's most important strengths is its people. We have committed and loyal teams in all of our businesses who tend to develop long term careers with us. Our strong market leading positions and focus on quality and customer service are fundamental to the success of the business. We have well invested factories and depots strategically located to serve their respective markets and our clay businesses have access to long term clay reserves. We work hard to innovate both in products and customer service and we employ the latest technology in our production and sales operations. These strengths support the growing market share we have in all our key markets.

**Q. What is your value proposition and can you describe your typical customer?**

A. Potential customers should choose Ibstock Group companies because our current customers tell us, through our extensive independent surveys and also face to face, that they choose us because we have the best product range and we are the easiest supplier (in our scope of supply) to do business with.

I can't really describe a typical customer because it depends on whom you consider to be the customer. We see the initial specifier as a customer as well as each element of the construction process covering perhaps: main contractor, sub-contractor, builders' merchant, client and so on. So our customer could be a self-builder wanting assistance with brick matching via his chosen merchant or architect, through to major listed house builders, builders' merchants or organisations such as Network Rail.



**Q. How have the competitive environment and your market share evolved?**

- A. Our markets have always been highly competitive and will continue to be so. New customer and technical or regulatory challenges impacting the competitive environment are always present which we take in our stride – BIM (Building Information Modelling) capability would be an example. All our businesses maintain strong and growing market share positions. This is driven by offering the best value proposition, that is, cost with due consideration for the value of the service, product support and consistency provided throughout the specification to the project completion process.

**Q. What pleased you most about this year's (2015) results?**

- A. I was pleased that we achieved strong sales growth in both the UK and US and that all businesses performed to plan. The pricing strength in Glen-Gery was particularly pleasing as was the above target cash performance and thus lower year end debt position for the Group.

**Q. What could you have done better?**

- A. Considering all the work necessary to manage a successful IPO process I am particularly pleased that we did not lose our focus on delivering strong 2015 results. Clearly one can always do better but there is nothing in the 2015 performance that did not meet our expectations.

**Q. What difference has the IPO made to your business?**

- A. The IPO has been very motivating for the management teams and all of our employees. This is largely because after a considerable period of uncertainty over the potential disposal of the Group under its previous public company ownership, we are now able to invest for growth. With supportive market fundamentals in all our geographies and development projects underway in both clay and concrete there is a feeling of excitement in the business. Our enthusiasm is shared by the investors we meet and it is always a pleasure to talk to people interested in our business, we are very proud of it!

**Q. How will you integrate the UK and US businesses?**

- A. Glen-Gery was part of the original Ibstock plc before separation under CRH ownership. In view of this shared history, cultures are similar and a strong architectural bias is evident in both businesses. The Glen-Gery team are delighted to be back with Ibstock since the start of 2015 following separation in 1999. We are already sharing best practice in Marketing, Technical, Procurement and Engineering. We wish to ensure that our people see that careers can once again develop across the UK and US as they did in the past.

I think it is important to mention that we believe in maintaining the strong brands within the Group and Glen-Gery with its 125-year history will always trade as Glen-Gery under Ibstock plc ownership.

**Q. How does the strategy influence day to day management and priorities of the different operating companies within Ibstock?**

- A. Our focus on customer service influences the way we manage the business. For example, the production planning team in the UK brick company report to the Sales Director. Our desire to service the customer impacts all aspects of the business including innovation and obviously our investment in information technology, a good example of this being our sales teams managing much of their customer exchange live with smart technology.

**Q. What are your plans for acquisitions?**

- A. We continue to look for enhancing acquisitions that will add to the UK product portfolio and strengthen our footprint in the US. We have worked hard to deliver current levels of performance so our performance hurdles are set high. We are thus looking for quality businesses with good growth prospects or businesses offering significant synergies and ideally both. We will be taking a disciplined approach, testing returns available from acquisitions against enhanced cash returns for shareholders.

**Q. How does sustainability fit into your strategy?**

- A. Sustainability is very important to Ibstock. We have employed a sustainability manager since 1995 and issued annual sustainability reports since 1999; the first in our industry to do so. Our UK businesses are accredited to ISO 14001, the Environmental Management standard, with the exception of our specials business which will be accredited by the end of the year. Ibstock and Forticrete have also achieved ISO 6001 Responsible Sourcing compliance. All our UK businesses are compliant with the Energy Management Standard ISO 50001 or the Energy Savings Opportunity Scheme ("ESOS"). In addition to this we continue to invest in energy efficiency, CO<sub>2</sub> reduction, we generate electricity from landfill gas and recycle raw materials such as process water to minimise waste and cost.

**Q. What should we expect from Ibstock in the next 12 months?**

- A. We will be focusing strongly on our markets and customer service as usual. We will be managing the major investment projects we have underway in UK concrete and clay; our main office site at Ibstock is now a major construction site! We anticipate another year of progress in all our businesses.

**Q. What excites you most about the business as you move forward?**

- A. I am excited by the increased opportunity we now have to develop Ibstock, working with the incredibly committed teams that we have in the businesses. Ibstock is a legacy business with a near 200-year history and it is a privilege to steward it for a period before passing on the Company in an improved position to the next generation. This is why succession planning is such an important area to me.

**Q. What will Ibstock look like in five years' time?**

- A. Ibstock will continue to be regarded as a highly customer driven business but with an improved asset base in the UK following the investments being made in both clay and concrete and potentially with a broader product portfolio through acquisition. In the US, I have a similar view.

**Q. What do you see as the key benefits of the significant capital investment that has been made?**

- A. Ibstock's investment at Leicester provides 100 million bricks per year of additional capacity into a market with strong growth fundamentals. It will be the newest and most efficient factory in Europe. The factory has been designed to be the most cost efficient and flexible stock brick facility in the Ibstock portfolio. Along with previous investments this project ensures that Ibstock continues to maintain an industry-leading factory portfolio. Our investment in Forticrete is particularly exciting as it will add yet another innovative product to the roof tile range. Forticrete has a strong history of innovation and this new product will continue that tradition.

**Q. What are the key risks to your growth plans?**

- A. The strength of underlying demand in the UK and US new home markets is key. With supportive demand fundamentals in all our businesses and, in particular, strong Government support for new build housing in the UK, the outlook looks encouraging. Clearly anything impacting on homebuyer and, for RMI markets, home owner sentiment would be a concern.







# The power to realise potential

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The new brick factory under construction at Ibstock.



# Our markets

Demand for clay and concrete products is directly affected by developments in the construction markets in which we operate, as well as the general level of construction activity. Several macroeconomic factors influence the levels and growth of construction activity, including demographic trends, the state of the housing market, mortgage availability, mortgage interest rates, and changes in household income, inflation and Government policy.

## United Kingdom

Total Great Britain construction output is estimated at £132 billion in 2015 (a 3.9% increase compared to 2014). The Construction Products Association forecasts Great Britain construction output growth of 3.6% in 2016 as activity is expected to rise across the key construction sectors of private housing, infrastructure and commercial.

### Great Britain construction output £bn

2015E	131.6
2014	126.7
2013	117.9
2012	116.0
2011	125.5
2010	122.8
2009	113.1
2008	130.1
2007	133.5

Source: Construction Products Association and Office of National Statistics.

### United Kingdom housing construction, recent trends and developments

The UK housing market has been structurally undersupplied for a number of years, with housing starts below household formations. The UK Government commissioned the Barker Review in 2003 which suggested the shortage of housing in the UK at that time was approximately 450,000 houses.

The financial crisis of 2007/2008 had a direct impact on housing starts due to the significant decline in construction activity. During the period from 2008 to 2014, Department for Communities and Local Government ("DCLG") information regarding household formations compared to DCLG information on housing starts indicated that there were approximately 550,000 more household formations during that time as opposed to housing starts, suggesting that the housing shortage had increased by that amount by 2014 and implying a total housing shortage at the end of 2014 of approximately 1,000,000 houses.

**Clay and concrete building products are integral components to construction activity, particularly housing construction.**



Annual housing starts are forecast to increase by c10% to 177,659 by 2018. Over the same period, the UK Government estimates of household formations in Great Britain are on average 254,000 new houses per annum, continuing the structural trend of a shortage of housing.

**UK Repairs, Maintenance and Improvement (“RMI”) market, trends and developments**

Total private residential RMI output in Great Britain in 2015 was approximately £17.0 billion and is forecast to increase to £18.6 billion by 2018 (Source: Construction Products Association). Historically, the RMI market has been more stable than housing starts. RMI remains primarily driven by gross domestic product, employment, consumer confidence and the level of housing transactions (with individuals renovating homes prior to a sale, or modifying them after purchase). Current underbuilding supports the RMI market.

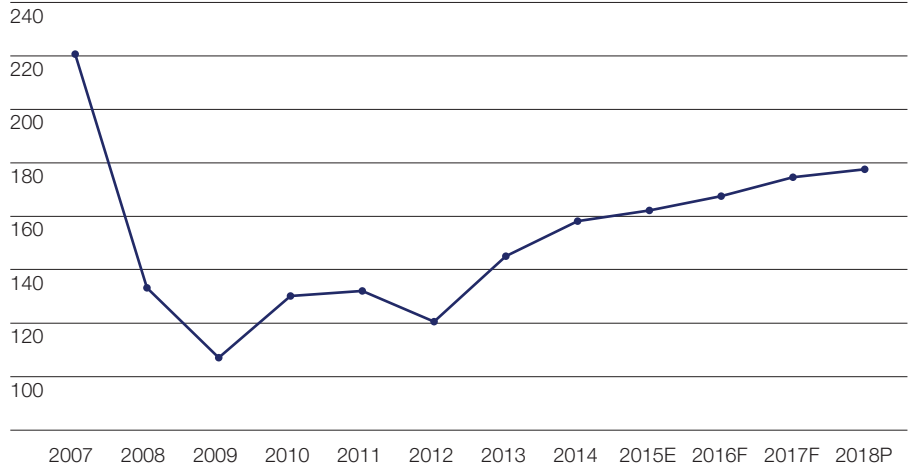
**United States**

The Company’s primary markets in the US are the North East and Mid West.

Housing starts in Glen-Gery’s primary markets fell sharply (approximately 68%) from a peak in 2005 through to 2009. Residential starts then increased from approximately 99,000 and 94,000 in the North East and Mid West, respectively, in 2009, to approximately 178,000 and 158,000 in the North East and Mid West, respectively, in 2014, with support from improvements in the economy and growth in employment. Between 2015 and 2017 both the North East region and the Mid West region are forecast to show recovering housing volumes with growth in Glen-Gery’s primary markets broadly comparable to national US housing starts.

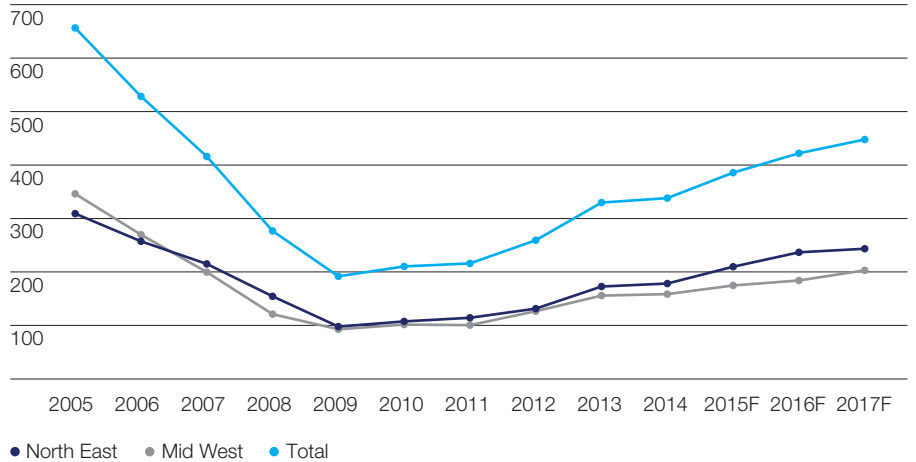
**Key facts**

**Great Britain housing starts**  
000s of starts



Source: DCLG, Construction Products Association.

**Housing starts in the Company’s primary markets in the United States**  
000s of starts



Source: Dodge Data and analytics.

North East states: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, District of Columbia, Virginia, West Virginia. Mid West states: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas.



# Our business model

## Explanation of business model

The Group is a leading manufacturer of building products with a diversified range of clay and concrete products, and operations in the UK and the US. Its principal products are clay bricks, brick components, concrete roof tiles, concrete stone masonry substitutes, concrete fencing, pre-stressed concrete products and concrete products for the rail industry.

The Group trades through operating companies that have leading positions in their product segments and have specific manufacturing process skills and technical and commercial know-how in those product areas. The operating companies are strong brand names in their respective areas of operation and their commercial structures and policies reflect the requirements of their individual customer bases.

The operating companies are underpinned by a Group structure that sets common values and compliance standards and provides financial and strategic support. The Group's management team has extensive experience in the building products market. The Group's CEO Wayne Sheppard and CFO Kevin Sims have a combined experience of nearly 50 years at Ibstock and are supported by a committed and highly experienced senior management team. The current management team has been instrumental in significantly expanding the Group's market leadership positions over the last decade.

## Brief description of the inputs

### Manufacturing facilities

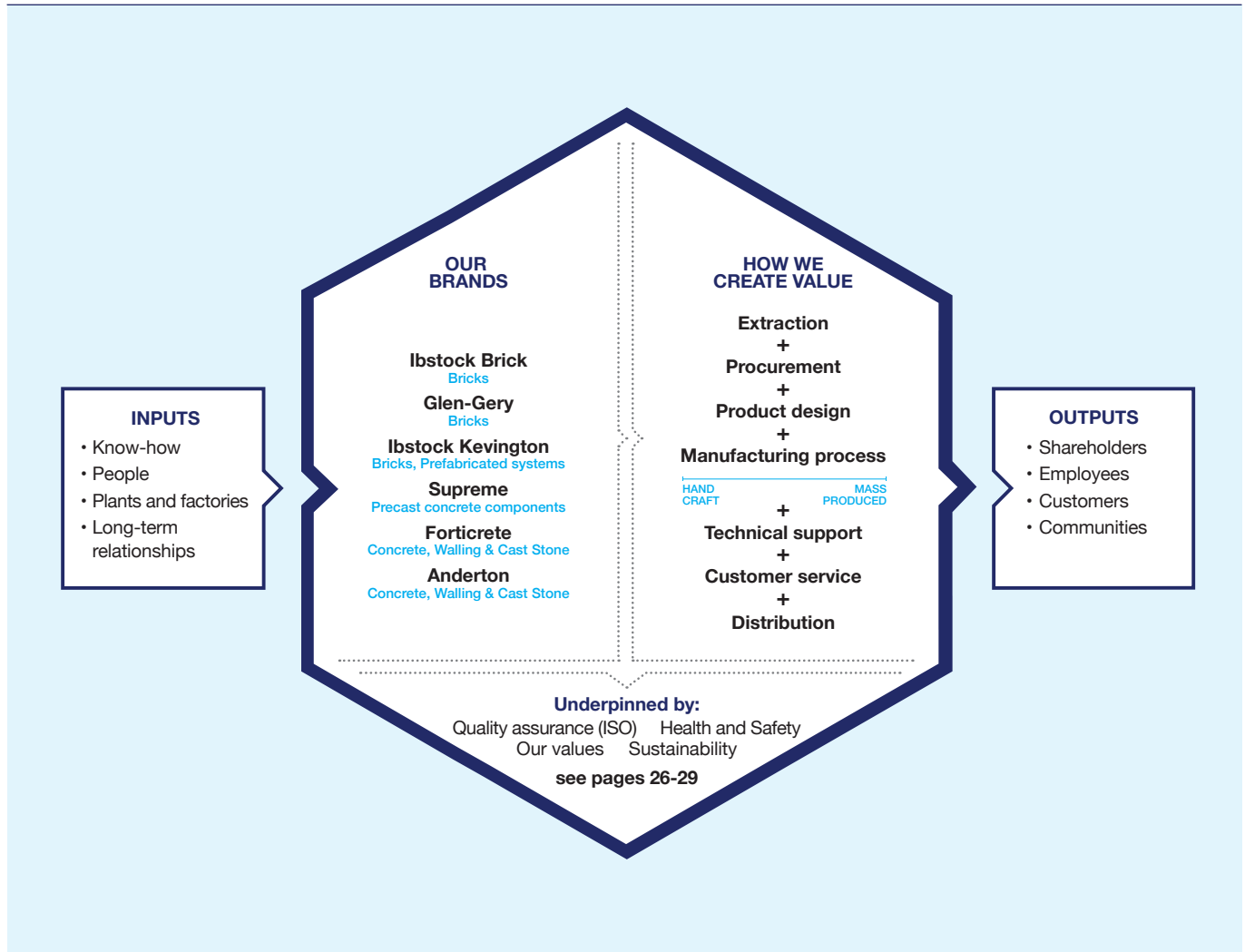
The Group has a strategic operational footprint across its UK and US markets. Its main manufacturing locations consist of 33 manufacturing plants and six speciality brick assembly sites in the UK and 10 manufacturing plants and 10 resale centres in the US. The Group's clay brick manufacturing plants are located near strategic raw material reserves.

The Group's concrete manufacturing plants providing fencing, structural elements, rail products and building products under the Supreme brand are geographically distributed around the UK creating a national plant network with scalable production capacity. The Group's concrete masonry products, alternative cladding products to natural stone marketed under the Forticrete brand, are manufactured across the UK at plants located near areas where stone has historically been used for building. Similarly, the Group selected a plant in Leighton Buzzard, a location in the South East of England which is well located to serve the active South East building market in the UK, to produce its concrete roof tiles. Within the UK and the US, plants are also strategically located close to main transportation links to facilitate distribution.

**The Group has a strategic operational footprint across its UK and US markets.**



**Our business model**



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**Raw materials and inputs**

The raw materials required to produce the Group's clay and concrete products are specific to each product and segment. The primary material used by the Group in the production of its products is clay. This clay and shale is sourced from clay quarries that the Group operates on land that it owns or leases under long-term agreements in the vicinity of its brick manufacturing plants in the UK and US. The Group's clay products utilise fuel and power as a key part of their manufacturing processes to dry and fire the brick clays.

For the Group's concrete products, the main raw materials consist of cement, sand and aggregates. Due to the bulky nature of these materials and the corresponding high transportation costs involved, the Group tends to source materials from suppliers local to each manufacturing facility but cement is interchangeable between suppliers in most circumstances, if necessary. Most of these raw materials (as well as water, which is another key input for the manufacturing of both clay and concrete products) are widely available commodities.

**Clay reserves and resources**

In the UK, the operation of quarries requires planning permission. Permission is granted in respect of a specific quarry design, providing an allowable volume of material which may be extracted over a set period of time. Therefore, once the authorised amount of material has been extracted or the period of the permission has expired, it is necessary to apply for a renewal or extension of the planning permission. The Group holds planning permissions over portions of its clay deposits and categorises its clay deposits substantially on the basis of whether or not it holds planning permission for extraction of the clay.

Within the US, all quarry locations that Glen-Gery leases or owns are zoned for mineral extraction/mining. As such, Glen-Gery has the legal right to extract clay and shale with no time limit for a quarry it owns and for the length of the lease for leased quarry.

**Technical support**

The Group offers technical support to its customers to assist in the use of its products in design and application. Support is provided by in-house technical design teams utilising Computer-Aided Design ("CAD") where appropriate and by technical sales teams, including in-house designers.

**Distribution and logistics**

The Group's products are manufactured and distributed through a network of 43 main manufacturing locations in the UK and the US. Due to the strategic locations of the Group's manufacturing plants, the Group's brick products in the UK travel an average of approximately 65 miles from the manufacturing plant to the customer.

In addition, in the US, the Group operates a network of 10 resale centres across its primary markets. These resale centres enhance access to customers in markets with poor distributor coverage and significantly increases the distribution capabilities of the Group's operations in the US through these inclusive one stop shop solutions for masonry products.



## Our business model

### continued

#### Intellectual property

As at 31 December 2015, the Group owned over 100 trademarks worldwide. These trademarks primarily relate to the Group's seven main brand names and logos as well as certain other trademarks. The Group's most important trademarks are Ibstock Building Products, Ibstock, Glen-Gery, Supreme, Forticrete, Kevington and Anderton. In the UK, the Group's concrete products are sold under trade names other than Ibstock, such as Supreme and Anderton for the Group's concrete fencing, building and structural elements and rail products, and Forticrete for the Group's concrete roof tiles, architectural masonry products and walling and cast stone. In the US, the Group's brick products are sold under the trade name Glen-Gery.

#### Information technology

Within the UK, the Group uses a suite of applications to manage reporting requirements, client relationships and sales analytics and reporting. In the US, Glen-Gery has recently transitioned to a Group ERP platform.

The Group also utilises information technology systems in its manufacturing plants. While the technology used by the Group varies at different plants depending on their age or time when last refurbished, the Group believes that an appropriate information technology infrastructure within its manufacturing plants is important to support its growth.

#### Employees

As at 31 December 2015, the Group had over 2,600 full time equivalent employees.

In the UK, although the Group has no formal collective bargaining agreements with any union, there are legacy voluntary procedural agreements in place with trade unions at most of the Group's manufacturing sites and approximately 50% of the workforce in the UK is covered by these agreements.

In the US, approximately 61% of Group's workforce is covered by collective bargaining agreements. The Group has not had any union-organised work stoppages in the UK or US over the past ten years.

The Group believes that it has good relationships with its employees and with the unions representing its employees.

#### Brands and products

The Group's four primary businesses are:

##### Ibstock Brick

The leading manufacturer by volume of clay bricks sold (excluding imports) in the UK. With 19 manufacturing plants and a total realisable production capacity of c780 million bricks per annum, Ibstock Brick has the largest brick production capacity based in the UK. Its network of 23 active quarries are generally located close to its manufacturing plants, which limits the transportation costs of raw materials from the quarries to the manufacturing plants.

##### Glen-Gery

A leading manufacturer, by despatches, of brick in the North East and Mid West regions of the US. Glen-Gery has a network of 10 manufacturing plants, 10 resale centres and 29 active quarries covered by 20 active quarry permits in the US. Brick capacity is c460 million bricks per annum.

##### Supreme

A leading UK manufacturer of concrete fencing products and concrete lintels, with seven manufacturing plants in the UK. Supreme also manufactures general precast products for the house building and rail sectors.

##### Forticrete

A leading UK manufacturer of concrete substitutes for natural stone walling and dressings and niche concrete roof tiles, with seven manufacturing plants in the UK. Forticrete also manufactures concrete architectural masonry walling blocks.

#### Process description at high level

##### Clay

The Group manufactures and sells a range of clay products. While it has an extensive range of clay products, the vast majority of the Group's clay revenue comes from the sale of its wire cut and stock bricks which are manufactured in two distinct production processes. To make a wire cut brick (also called an extruded brick), clay is continuously extruded to a required size and shape. The clay column is then cut by wire into individual bricks and is dried or loaded directly onto a kiln car and then dried. The dried bricks are fired in a kiln. The wire cut brick manufacturing process is highly automated. Stock bricks are manufactured by placing a mix of clay and water into individual moulds to create the brick shape, ejected from the mould and then dried and fired in a kiln. Although manufactured by modern machinery in an automated process, stock bricks retain the look of hand-moulded bricks.

These core products are complemented by a number of innovative and specialised products and components.



## Concrete

Supreme and Forticrete are the Group's principal concrete manufacturing businesses.

Supreme offers a variety of precast concrete fencing products which include slotted posts, morticed and recessed concrete posts, concrete posts for chainlink or welded mesh and concrete gravel boards or panels.

Fencing Products are "grey" concrete products manufactured using a semi dry or a wet cast manufacturing process. Semi dry products are manufactured with concrete discharged from a machine hopper into a mould containing steel reinforcement bars with high frequency vibration used to compact the mixture and then manually finished off to the required quality standard. The products are de-moulded using an instant de-mould system by turning the moulds over and allowing them to move free from the mould. Due to the compaction of the material through vibration, the products are free standing. Freshly cast products are transferred onto a curing rack where they undertake a curing process. Cured products are lifted from the curing pallets using an automatic stacking system. In a wet cast process, steel reinforcement bars are placed into each mould and concrete is discharged from the machine hopper into the mould.

Forticrete manufactures concrete substitutes for natural stone walling and dressings, niche concrete roof tiles and concrete architectural masonry walling blocks.

Concrete roof tiles are made from cement, sand, admixtures, water and pigments. These materials, with the exception of the pigments, are deposited in a pan mixer and blended. The mixture is conveyed to a mechanical mixer for further blending, adding the pigments and additional water. From the mechanical mixer, the concrete mix is extruded onto moving pallets and then cut to form individual roof tiles. A pre-cure coating is then added and the tiles are placed in curing chambers. Post-curing, the tiles are finished, coated and dried.

## Value flowing to stakeholders

### Customers

The Group sells its clay and concrete products to a diverse group of customers in the construction industry in the UK and US. Builders' merchants, housebuilders, specialist brick distributors, and contractors and installers are the four main customer groups for the Group's clay products in the UK. In the US, clay products sold to distributors constituted the majority of sales for the year, with the remainder sold to house builders, contractors and developers. These customers are not always the same as the individuals and organisations that are making the buying decisions for the Group's products. In many cases, the preference of the end customers dictates the choice of product rather than the intermediary that actually purchases the product from the Group.

In the decision-making process for the choice of clay and concrete products, the Directors believe that the Group benefits from the broad recognition of its brands, its reputation for quality, aesthetics and its focus on customer service.

## Dividend policy

The Directors intend to adopt a dividend policy based on a payout ratio of 40 to 50% of adjusted profit after tax over a business cycle. This dividend policy will reflect the underlying earnings and growth of the business and the cash conversion of the Group. Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend.



# Our strategy

**The Group's aim is to continue to develop and invest in its market-leading building products businesses and to be its customers' partner of choice by providing consistent, high quality, reliable and innovative products.**

**With a constant focus on strong customer service and value, we evaluate opportunities to add new complementary products to broaden the Group's portfolio.**

**The following are the key elements of the Group's strategy:**



## Strategic priority 1

### Safety

**Continuing to focus on a safe working environment that has the development of employees and customer service at its core**

#### What we achieved in 2015

The Group continues to make Health and Safety its number one priority. Lost Time Accidents have been reduced significantly over the past 10 years, recording 21 in 2015. The Group's Health and Safety performance compares favourably with industry benchmarks.



#### Our objectives for 2016

Employees are at the heart of the Group's business and the Group is committed to providing continuous professional development and training with the aim of low turnover levels amongst its staff.

#### Relevant KPIs

- > Lost Time Accidents
- > Net promoter score





Strategic priority 2

# Invest

**Maintain existing capacity and invest in new capacity to optimise output and take advantage of structural imbalances in the Group's markets**

**What we achieved in 2015**

On 10 September 2015, the Group received planning approval to build a new stock brick manufacturing plant in Leicestershire. Construction of the new plant is currently underway and the new Ibstock plant is expected to add capacity of approximately 100 million bricks per annum (approximately 13% of the Group's total annual UK realisable brick capacity).



**Our objectives for 2016**

The investment at our Ravenhead factory in new packaging facilities is expected to be completed in the first half of 2016.

The new Leicester plant is expected to be commissioned in the second half of 2017.

**Relevant KPIs**

- > Return on capital employed (once operational)
- > Revenue
- > Adjusted EBITDA
- > Cash flow before major projects
- > Lost Time Accidents
- > Net promoter score



Strategic priority 3

# Innovate

**Penetrate markets through innovative products**

**What we achieved in 2015**

Further building on its track record of bringing innovative products to the market, the Group placed equipment orders for a new concrete tile line at Forticrete, to produce an innovative large format design – targeting approximately 55% of the new build concrete roof tiles market in the UK.



**Our objectives for 2016**

The new tile line is expected to be commissioned during the second half of 2016. The Group expects the launch of the new products from this line to lead the evolution of UK concrete tile design towards more efficient products.

**Relevant KPIs**

- > Net promoter score
- > Return on capital employed
- > Revenue
- > Adjusted EBITDA
- > Cash flow before major projects
- > Lost Time Accidents



Strategic priority 4

# Evaluate

**Evaluate opportunities to expand existing product portfolio either through organic investments or acquisitions**

**What we achieved in 2015**

The Group sees its development of component products, such as Faststack chimneys and pre-formed arches that support the use of traditional building products, as a means of maintaining its products as an affordable and efficient solution for on-site installers.



**Our objectives for 2016**

The Group continues to develop its existing range of components and will continue to assess opportunities to broaden its components portfolio.

**Relevant KPIs**

- > Net promoter score
- > Return on capital employed
- > Cash flow before major projects

# Key Performance Indicators

**We work hard to turn our strategic objectives into measurable performance, using individual key performance indicators to measure our progress.**





**Revenue**

(2015 – 12 months)

**£413<sub>m</sub>****What is it?**

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

**Why is it important?**

Delivery of profitable revenue growth is important to the Group's success.

**Adjusted EBITDA**

(2015 – 12 months)

**£107<sub>m</sub>****What is it?**

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

**Why is it important?**

As with all businesses we measure our financial success by the profits we make.

**Cash flow before major projects**

(2015 – 12 months)

**£92<sub>m</sub>****What is it?**

Represents the net cash flow after adjusting for capital expenditure on major projects.

**Why is it important?**

As part of our capital management, we focus on the cash available to the business in order to achieve the Group's capital structure and allocation objectives.

**Net promoter score<sup>®1</sup>****44****What is it?**

As part of our annual satisfaction survey, customers are asked how likely they are to recommend the Group to friends or colleagues. Responses are between zero (unlikely) and 10 (very likely). The net promoter score (NPS<sup>®</sup>) is derived from the proportion of our customers scoring 9 and 10 less those scoring six or lower.

**Why is it important?**

There is a well-documented correlation between high customer loyalty and superior long-term financial performance. The NPS<sup>®</sup> is a means of measuring this.

**Adjusted EPS****16.2<sub>p</sub>****What is it?**

Basic earnings per share adjusted for exceptional items, amortisation and depreciation of fair value uplifted assets.

**Why is it important?**

This helps us to ensure we maintain a progressive dividend policy and deliver annual growth in return to our shareholders.

**Return on capital employed**

(2015 – 12 months)

**19.6%****What is it?**

The ratio of profit before interest, taxation, and amortisation after adjusting for exceptional items to net assets and debt.

**Why is it important?**

This reflects the returns available for investment in the business, and servicing of debt and equity. This is also a measure for our investors as to how well we are using their money.

**Net debt/adjusted EBITDA**

(2015 – 12 months)

**1.35****What is it?**

Net debt, comprising short and long-term borrowings less cash, over Adjusted EBITDA (as defined above).

**Why is it important?**

This is a key measure of balance sheet strength and financial stability. It helps us to ensure that our debt is conservatively managed.

**Lost Time Accidents**

(2015 – 12 months)

**21****What is it?**

The number of lost time accidents (exceeding one day) across our Group's workforce during the year.

**Why is it important?**

Safety is a priority for Istock plc and we constantly strive to improve our performance. The KPI helps us to provide a safe workplace as a strong safety culture is a key element to our business strategy.

<sup>1</sup> Net promoter, net promoter score and NPS are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

# Key resources and relationships

**Delivering continuous improvement is the core of our operations, constantly looking for more efficient ways of doing things and embracing technology wherever possible.**

## Safe working environment

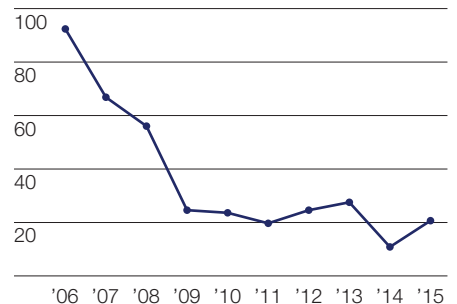
The Group employs over 2,600 people across the UK and US and it is the Group's objective to provide a safe working environment for all our employees and the contractors at Ibstock sites. It is a strategic priority to focus on safety in the workplace, and Health and Safety is at the core of our operations.

As a large employer in both the EU and the US, the Group must comply with the European Framework Directive on Safety and Health at Work and Occupational Safety and Health Act, respectively. These guarantee minimum safety and health requirements, and under such laws and regulations, employers typically must establish the conditions and the management of work in a manner that effectively prevents dangers to employees.

Interpretation of the legislative requirements is further supported in the UK by Approved Codes of Practice. These documents are used to help define Group policies and procedures for all employees. The Group has training programmes in place to ensure all employees are competent to carry out their duties and an auditing protocol is in place to ensure policies and procedures are effective and adhered to. A dedicated team of health and safety professionals support the operational employees in all aspects of Health and Safety management and leadership.

The Board carefully monitors the Group's performance against our Lost Time Accidents KPI, which has reduced this measure over recent years.

**Number of Lost Time Accidents by year**



## Recognition and development

Our people lie at the heart of the Group's operations and as such we are committed to developing an environment where every employee can thrive and give their very best each and every day. Our continual investment in their training and development contributes to a highly engaged workforce with the skills and experience necessary to deliver the Group's business objectives both now and into the future. Delivering continuous improvement is the core of our operations, constantly looking for more efficient ways of doing things and embracing technology wherever possible.



Case study

# Women in leadership

**Karen Cuncliffe**

Factory Manager, Chesterton UK



**Equality and diversity**

I have worked for Ibstock for 37 years, starting my career in 1977 as a Laboratory Assistant and then Lab Manager at the Ravenhead factory near Skelmersdale. I then had the opportunity to become a Regional Technical Manager, covering a number of factories before switching over to the production side of the business. I became Production Manager back at the Ravenhead factory before moving over to the nearby Roughdales factory as Factory Manager in 2005.

The opportunity arose to become the Factory Manager at Chesterton and to oversee its redevelopment as one of the world's most efficient brickworks and, at the time, Ibstock's single biggest investment in new plant for a decade.

Ibstock has provided both a challenging and supportive environment to work and develop in. There is a very supportive culture driven from the top down and as a manager it is very rewarding to see my people have and take opportunities to develop and thrive.

Running a factory, especially one as high-profile as Chesterton brings new and varied challenges every day, not least hosting some of the visitors to the site such as Boris Johnson and Amber Rudd! However, the whole team is focused on moving the factory forward, achieving new records for both quality and output but most importantly providing a safe working environment. I am especially proud of our safety record which currently stands at 1,465 days without a lost time accident.

**Equality and diversity**

We are committed to promoting equal opportunities in employment. All job applicants, employees and other workers (such as agency staff and consultants) will be treated with dignity and respect regardless of their age, disability, gender reassignment, marital or civil partner status, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. We believe that by providing a harmonious working environment all employees should be able to maximise their potential and contribute to our success.

Where an employee becomes disabled, subsequent to joining the Group, all efforts are made to enable that employee to continue in their current job. However if, due to the specific circumstances, it is

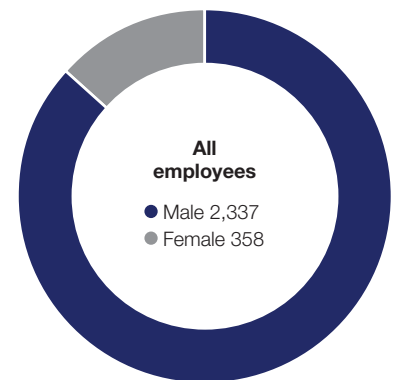
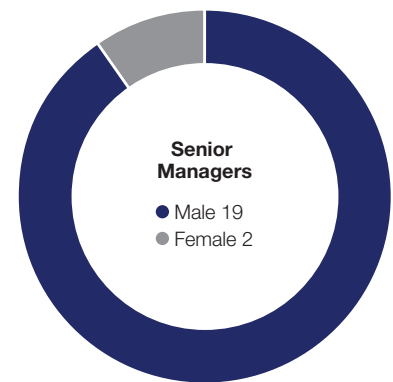
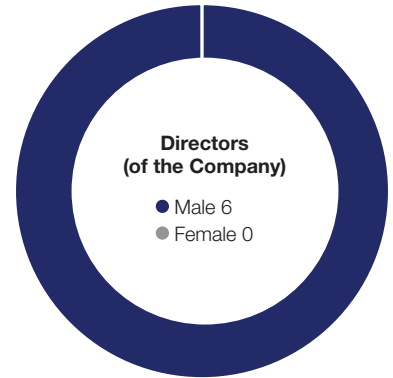
not possible for an employee to continue in their current job, they will be given suitable training for alternative employment within the Group or elsewhere.

We are committed to identifying and eliminating discriminatory practices, procedures and attitudes and we expect all employees, officers, consultants, contractors, casual workers and agency workers to support our commitment and assist in all possible ways to prevent discrimination.

Subsequent to the period end date, Lynn Minella and Tracey Graham were appointed as Non-Executive Directors of Ibstock plc, bringing our ratio of female Directors to 25% as at the date of this report.

**Key facts**

**Gender split across the Group**  
as at 31 December 2015



## Key resources and relationships

continued

### Case study

## Apprenticeships

### Thomas Brooke

Apprentice of the Year 2015



### Apprenticeships

I joined the Ibstock apprentice scheme in 2014. I had taken a degree in Sports Science and was unsure about my future career path and after a number of jobs I decided to take some time out to travel. On my return, I realised that I would like to be involved in a

manufacturing business and was excited to be accepted onto the Ibstock apprenticeship programme as a technical apprentice. Every day has been different! Although only in my second year I have already seen many different aspects of the business including helping to run the Quality Assurance system at the Nostell factory and now I am working as part of the team on the new factory at Ibstock.

The apprenticeship programme is tailored to suit the needs of the individual and I am currently studying for a foundation degree course in clay technology at Derby University as well as working towards my Ibstock Technical Workplace NVQ.

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 plc continues to maintain and enhance its excellent reputation as a Group that everyone can trust and wants to do business with.

The Group is aware of its obligations under the Human Rights Act and seeks to act accordingly in all aspects of its operations.

### Engagement with our local communities

The Group is proud of its long history of being part of the local communities in which it operates. Each of the companies within the Ibstock family provides financial support, and is actively engaged in, these communities. This involvement ranges from financial support for community projects to stakeholder engagement relating to quarry extensions.

### Apprenticeships

At some point in time all employees will retire and over the last 20 years the Group has run a highly successful apprentice programme. Since 2012 we have enhanced this programme through central co-ordination and standardisation of the programme to ensure all apprentices are trained to a consistent standard, including specific sign off within the organisation in addition to that of the training provider. This focus ensures that we mitigate the risk of an ageing workforce and harness the skills and experience of these people so that when they retire their replacement is fully trained and competent to take over their role.

### Employee engagement

Customer satisfaction begins and ends with the relationship they have with our employees and delighting our customers can only be delivered through highly competent, engaged and diligent people. Ibstock Brick, the largest operating company within the Group has run employee opinion surveys for the last 18 years. Consistently our response rates have been in excess of 80% and allow us to identify specific improvement areas and formulate action plans to consistently improve employee engagement. Following our successful listing, the survey will be comprehensively revised to ensure that we fully capture the true drivers of employee engagement and ensure that we continue to deliver for our customers. The revised

survey will also be implemented across all of the Group companies to ensure we are measuring engagement consistently across the Group and also facilitate comparison across the entities within the Ibstock family.

A variety of methods are used to engage with employees, including factory and departmental briefings, and in-house publications. The Group will use one or more of these channels to brief employees on the Group's performance and the financial and economic factors affecting the Group's performance. In particular, the Group operates a Save As You Earn ("SAYE") share scheme, which is open to eligible employees, where employees are encouraged to save a fixed monthly sum for a period of three years.

### Anti-Bribery and Corruption policies

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. In October 2015, we updated and re-issued our Code of Business Conduct and Anti-Bribery and Corruption policies to continue to ensure that we operate in an open, fair and honest manner in all of our business dealings. We have also implemented our Trade Associations Policy to help support employees in their dealings with fellow employees, customers, suppliers, regulators and colleagues in

As part of the recent proposal to extend the Group's clay quarry at Dorket Head, a number of public information days at the local Community Centre were held and also a number of information leaflets were produced providing information regarding the proposals. Nearly 90% of employees of the Dorket Head factory live within ten miles of the site and it is estimated that more than £3.5 million per annum is spent in the local community by the factory. Our other sites have a similarly high level of employees who live in the vicinity of their place of work.

Recently schoolchildren from three schools in Ibstock helped plant 900 trees in the grounds of the Leicester site as part of the Group's programme to build the new Ibstock state-of-the-art brick factory. In January 2016, more than 280 pupils took part in the tree planting exercise over a two-day period. Activities such as this are one example of the way in which the Group aims to engage the local communities around its sites.

### Environment

The Group recognises its responsibilities as a manufacturer to reduce the environmental impact of its activities. The Group is committed to introducing environmental management systems and each of our UK businesses and is currently accredited, or working towards accreditation with, ISO 14001 – the International Environmental Management standard. In addition to this, we continue to invest in energy efficiency,



- 1. Local school children planting trees at Ibstock
- 2. The innovative Gemini roof tile
- 3. Ibstock apprentices undergoing training

1 – 2



3

Case study

# Employee engagement

**Craig Wright**

Process Manager, Chesterton, UK



**Engagement and involvement**  
My background is in refractory ceramics and the heavy clay manufacturing industries. I joined Ibstock in 2004

to run the special and bespoke brick making unit at the Chesterton factory before becoming the Process Manager for the main plant.

I have always been impressed by the depth of knowledge and expertise at every level within the business as well as the willingness to listen to new ideas and involve people. For example, I was heavily involved in the development of the new Chesterton factory from its initial design and development, through the build and commissioning stages. Being part of the team has been very rewarding, especially now that the Chesterton factory is in full production.

**Innovation**

**Research and development**

The Group continually seeks to improve the quality of its existing products and processes, as well as to introduce new products through innovation and investments in new technology. The Group's innovation efforts are primarily pursued at each of the Group's four primary operating businesses.

Examples of innovative products developed include: the Ibstock Brickshield insulation product and the extended range of Fireborn; Glen-Gery's thintech brick cladding system that uses a mounting system for thin brick; Forticrete's Gemini tile and the new large format tile; and Supreme's anti-theft device added to protect the cables secured within its rail cable troughs and a lightweight cable trough to ease manual handling.

Furthermore, at the Group level, innovation is pursued through collaborative projects among the businesses. Ibstock Brick developed a clay rainscreen cladding. The Group recognised the same product could be used by Forticrete to produce a polished concrete rainscreen as an alternative to the clay rainscreen and developed this product in the alternative material.

The Group has a strong track record of award winning products, including:

- Brick Development Association ("BDA") Awards – Ibstock Brick has a 10-year track record of award wins having been in over 70 (more than half) of the award winning categories and six of the "supreme" award winners;
- Queen's Award for Enterprise – awarded in 2001 for Forticrete's Gemini roof tile, which was also awarded Millennium Products status by the Design Council; and
- Brick in Architecture Awards – Glen-Gery has won numerous awards across a broad range of categories in the last five years.

CO<sub>2</sub> reduction, the generation of electricity from landfill gas and the recycling of raw materials such as process water to minimise waste and cost.

Scope 1 and Scope 2 emissions data has been collected from the majority of locations operated or controlled by the Group, with some estimations used for the US subsidiary entity's locations and immaterial UK subsidiaries. UK Government conversion factors and EUETS verified emissions have been used. Emission sources falling outside the Group's operational control and other Scope 3 emissions have not been collated and reported.

The Group has used CO<sub>2</sub> per tonne of production as its intensity ratio as this is the most appropriate and relevant factor associated with our activities and should provide an appropriate basis on which to compare trends over time.

**Greenhouse Gas Emission figures 2015**

Greenhouse Gas Emission Source	Tonnes of CO <sub>2</sub> e
Scope 1 – Combustion of fuel and operation of facilities	512,854
Scope 2 – Electricity	78,186
Intensity Ratio: Tonnes of CO <sub>2</sub> e per tonne of production	0.21

The results provided for Greenhouse Gas Emissions are for the year ended 31 December 2015, which differs from the statutory period of this Annual Report & Accounts. The Directors believe that provision of information for the 12 months provides a clearer baseline for our reporting in this area in future years. As this is our first Annual reporting, no comparative information is provided.

# Risk management

**The Directors have carried out a robust assessment of the principal risks facing the Group – including those that would threaten its business model, future performance, solvency or liquidity.**



Risk arises from the operations of, and strategic decisions taken by, every business. Our approach to risk management is not to eliminate risk entirely, but rather provide the structural means to identify, prioritise and manage the risks involved in our activities.

The Board of Directors is ultimately responsible for the Group’s risk management process and internal control systems. The Board has considered the nature and extent of risks it is willing to take in pursuit of the Group’s strategic objectives. It has assessed the Group’s risk appetite, which is set to balance opportunities for business development and growth in areas of potentially higher risk, whilst maintaining our reputation and high levels of customer satisfaction.

The Group’s risk management process incorporates both top-down and bottom-up elements to the identification, evaluation and management of risks.

The Audit Committee supports the Board in monitoring the risk exposures and is responsible for reviewing the effectiveness of our risk management and internal control systems.

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 Group’s Executive Directors. At a Group level, the Board reviews these matrices and the analysis of potential exposures which exist within them. Risks are continually evaluated using consistent measurement criteria.

Internal Audit supports the Audit Committee in evaluating the design and operating effectiveness of our risk strategies and the internal controls implemented by management.

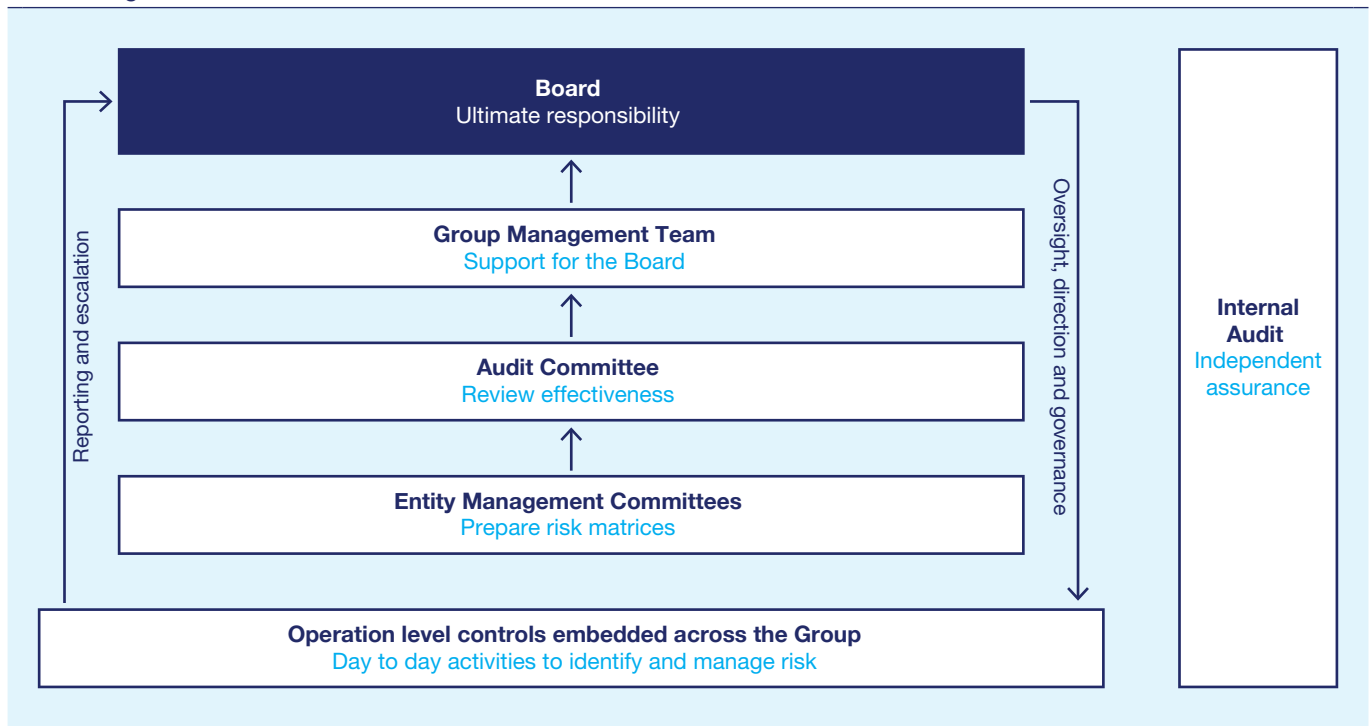
The structure of our Group risk management process is illustrated below:

As the Group’s component subsidiaries formed part of the CRH plc Group for several years prior to their disposal, they fell under the Sarbanes Oxley regime of internal control over financial reporting. These processes and controls have been maintained following the divestment from CRH plc, and the Directors believe this stands the new Group in good stead.

However, following the listing of the Group in October 2015, the newly formed Audit Committee requested a third party review of the Group’s Internal Audit function and the internal control processes. This independent “health-check” of the Group’s risk management is due to be completed in the first half of 2016.

The Directors have carried out a robust assessment of the principal risks facing the Group – including those that would threaten its business model, future performance, solvency or liquidity.

**Risk management framework**



# Risk management

continued

## Principal risks

### 1. Economic conditions

Description	Mitigation
<p>The Group's business could be materially impacted by changes in the macroeconomic environment in the UK and the US.</p> <p>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.</p>	<p>The Group analyses construction statistics for the past five years and, using independent forecasts of construction statistics, forecasts demand for the next five years with the aim of anticipating market movements.</p> <p>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 that this has 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.</p> <p>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.</p>

### 2. Government action and policy

Description	Mitigation
<p>The Group has an exposure to both UK or US political developments. Material reductions in Government spending could have a material effect on demand for the Group's products – reducing sales and affecting the Group's financial results.</p>	<p>The Group analyses construction statistics for the past five years and, using independent forecasts of construction statistics, forecasts demand for the next five years with the aim of anticipating market movements.</p> <p>The change in climate post 2015's UK General Election and Autumn Budget are favourable to housing, as well as recent changes to developing Brown Field land and the 200,000 affordable homes the Government is targeting to be built by 2020. These measures, in addition to the National Planning Policy Framework ("NPPF") and Help to Buy scheme, show the Government's current commitment to house building. However, the Group recognises the risk which can result from political changes or economic uncertainty.</p> <p>RMI and new housing demands are, to a certain extent, counter-cyclical to each other, providing some balance to the portfolio of offerings for the Group.</p>

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

Description	Mitigation
<p>The Group's production, manufacturing and distribution activities are subject to health and safety risks.</p> <p>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. They could also require that the Group make significant capital investments or otherwise increase its costs or could result in liabilities.</p> <p>Failure of the Group to comply with the relevant regulations could result in the Group being liable to fines or a suspension of operations, which would impact the Group's financial results.</p>	<p>The health and wellbeing of our employees is fundamental to our business. We have stringent Health and Safety policies and monitor compliance regularly.</p> <p>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.</p> <p>The Group actively monitors for any legislative changes which it may need to comply with.</p>



#### 4. Customer relationships and reputation

Description	Mitigation
<p>The Group receives a significant portion of its revenue from key customers and the loss of any such customer could result in a significant loss of revenue and cash flow. 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.</p>	<p>The Group has a service-led ethos with many top customer relationships lasting over 40 years. The Group's customer focus is supported by a commitment to quality, service and consistency.</p> <p>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.</p> <p>All four of the Group's primary businesses 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 continuity of senior management who have the ability to liaise across the Group's businesses.</p> <p>The Group has a broad spread of customers and no single customer comprised more than 10% of the total Group revenue.</p>

#### 5. Business disruption

Description	Mitigation
<p>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.</p> <p>The Group depends on efficient and uninterrupted operations of its information and communication technology, and any disruption to or interruptions in these operations could have a material adverse effect on the Group's operations and financial performance.</p> <p>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.</p>	<p>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.</p> <p>In relation to supplier disruption or failure, further third party suppliers have been identified who can maintain service in the event of a disruption.</p> <p>In relation to IT, a major incident action plan has been developed and the Group maintains data backups and a comprehensive disaster recovery plan.</p> <p>Although weather conditions are completely beyond the Group's control, in both the UK and US in 2015 adverse weather did not impact on trading in the context of the full year. Management do not underestimate the potential impact that future prolonged periods of bad weather could have. The Group's wide geographical spread allows it to manage its production facilities to mitigate the impact of such disruption.</p>

#### 6. Recruitment and retention of key personnel

Description	Mitigation
<p>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 significantly disrupt business operations.</p>	<p>We ensure that we recognise the changing labour markets, and packages for key and senior staff remain competitive.</p> <p>The Group believes that it is essential to protect 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.</p> <p>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.</p>

# Risk management

continued

## 7. Input prices

Description	Mitigation
<p>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.</p> <p>The Group's business may also be affected by volatility in energy costs or disruptions in energy supplies.</p> <p>Significant changes in the cost or availability of transportation could affect the Group's results.</p>	<p>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.</p> <p>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 to our customers wherever possible.</p>

## 8. Product quality

Description	Mitigation
<p>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. 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.</p>	<p>The Group operates comprehensive quality control procedures across its sites.</p> <p>The Group's Technical teams carry out regular testing of all of our products to provide full technical data on our product range.</p>

## 9. Financial risk management

Description	Mitigation
<p>In addition to the input cost risks outlined above, the Group is subject to the following other financial risks:</p> <ul style="list-style-type: none"> <li>• Foreign exchange risk – As the Group has operations in the UK and the US, exchange rate fluctuations may adversely impact the Group's results.</li> <li>• 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.</li> <li>• Liquidity risk – Insufficient funds could result in the Group being unable to fund its operations.</li> <li>• Interest rate risk – Movements in interest rates could adversely impact the Group and result in higher financing payments to service debt.</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign exchange risk – The Group undertakes very limited foreign exchange transactions, with the UK and US businesses selling domestically with largely local input costs. Management considers foreign exchange hedging strategies where significant exposures may arise.</li> <li>• 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.</li> <li>• 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. In September 2015, the Group entered into specific facilities of £240 million for a five-year term.</li> <li>• 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 at the period end.</li> </ul>

## 10. Pension obligations

Description	Mitigation
<p>The Group has obligations to its employees relating to retirement and other obligations and any changes in assumptions or in interest rate levels could have adverse effects on its financial position.</p>	<p>The Company plays an active role in the pension scheme – nominating up to half of the Trustees and the Group Chief Financial Officer attends and chairs Trustee meetings. The defined benefit scheme is closed to new members. The Pension Trustees and their external advisers, as well as the internal pensions team, have significant expertise in the area and provide good quality oversight. An agreed Statement of Investment Principles is operated to provide appropriate security, achieve sufficient long-term growth and achieve an appropriate balance between risk and return.</p>



# Viability Statement

## Background

The Directors, in preparing for the Group's Initial Public Offering, undertook a comprehensive assessment of its 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 Ibstock over a long-term horizon. It involved stress testing the Group's business model to develop an appropriate valuation of the business. The success of the IPO provides confirmatory evidence that the market considers that Ibstock will continue as a viable business in the longer term.

The knowledge and evidence gained from the IPO process is now embedded in the ongoing governance of the business.

## Assessment

The extensive work carried out in preparation for the IPO, therefore, has informed the Directors' assessment of the longer-term viability of the business. In addition, the Directors, as part of their year end review for the preparation of this Annual Report, have assessed the business model, strategy, market conditions, business planning, risks and the liquidity and solvency of the Group.

The Group has a strong position in the markets in which it operates as noted on pages 16 to 17 and its strategy (see pages 22 and 23) is aimed at continuing to strengthen its position in those markets and create value for its shareholders. Ibstock's global operations (see pages 36 and 37) exposes it to a number of risks and its principal risks and uncertainties are noted on pages 32 to 34. 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 limited exposure to interest rate risk and foreign exchange rate risk as described on pages 38 to 41.

## 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 business is that it is particularly sensitive to the level of economic activity, which is influenced by factors outside of the Group's control, such as 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 in excess of the lookout period used. Refinancing is therefore not considered a significant factor in this current assessment, but is monitored on a continuous basis.

## Stress testing

During the challenging market conditions of the recent past, the Group performed well, remaining cash positive and implementing a number of mitigating actions that allowed it to remain viable. These mitigating actions remain available to the Directors today.

The budget has been stress tested against a severe and prolonged reduction in demand for its products, on the basis of reduced house building activity and therefore reduced volume of product sold, as well as a benign environment of prolonged price stagnation on sales. These scenarios reflect the previous challenging market conditions of the 2008/09 downturn, a period over which UK construction output fell 13% (Source: Office of National Statistics, Construction Products Association) with sharp reductions also in the US market. These scenarios have been modelled alongside input cost inflation outside of the Group's control, notably for energy costs.

## Assumptions

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

- The economic climate in the geographies 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.

## 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.

# How we have performed

## The UK business performed strongly in 2015 with an increase in revenue of 9.0%

UK revenue (2015 – 12 months)

**£336<sub>m</sub>**

UK adjusted EBITDA (2015 – 12 months)

**£99<sub>m</sub>**

## The US business performed strongly in 2015 with an increase in revenue of 9.5%

US revenue (2015 – 12 months)

**\$117<sub>m</sub>**

US adjusted EBITDA (2015 – 12 months)

**\$12<sub>m</sub>**

Commentary in this report refers to the presentation of results for the year to 31 December 2015.

### United Kingdom

The UK business, which accounts for c81% of the Group, has performed strongly in 2015 with an increase in revenue of 9.0% to £336m. Adjusted EBITDA in the UK has increased to £99.0m (a 71.0% increase) in the year to 31 December 2015. This improvement in revenue and profitability primarily reflects a stronger pricing environment for clay bricks and good pricing for other products. Despite the release and reduction of brick stocks by some housebuilders, total UK industry brick demand continued to exceed reported annual domestic production during the year. All UK businesses performed very well operationally, working on major projects and innovation whilst also delivering good customer service survey results in busy markets. This was achieved whilst also managing the additional work arising from the IPO.

### Clay products

UK clay products has delivered strong growth in revenue of 13% in 2015 driven principally by increases in the levels of UK housebuilding. This increase has been supported by Help to Buy, improved mortgage availability, some improvements in local authority planning response and strong demand for new homes.

During 2015, brick availability concerns eased due to the release of inventory from housebuilders who had heavily stocked in 2014, increased UK brick production and the continued availability of imported bricks from continental Europe. As domestic supply improved during the year, imported brick volumes began to fall from annualised peaks seen in the second quarter of 2015.

As noted in “Our markets” on pages 16 and 17, further growth in housebuilding volumes are forecast in 2016, again driven by Help to Buy, the Help to Buy ISA, the recently introduced Help to Buy London, which offers up to 40% deposit, and the ever growing gap between housebuilding rates and the requirement for new homes.

Growth is also forecast in Public Non-housing, notably in Education, Health, Commercial and Repairs, Maintenance & Improvement (“RMI”), all of which have a significant influence on UK brick usage.

A number of improvement capital projects are underway within our UK clay operations which are focused on improving operational efficiency, production volume and reducing our cost base. In addition, the construction of our new factory at Ibstock in Leicestershire has now commenced. This investment will provide the most modern, efficient and flexible stock brick factory in the UK.



- 1. Glen-Gery bricks are a popular choice for public buildings
- 2. Bricks being dispatched from Glen-Gery's Hanley Plant
- 3. Landmark Stone cladding complements Glen-Gery bricks

1 – 2



3

The new factory at Ibstock will commission in the second half of 2017 and is a major statement of Ibstock plc's ongoing commitment to the UK brick industry and to servicing the future product requirements of its customer base. The new factory will have a capacity of c100 million bricks per annum servicing the Housing, Public Non-housing, Commercial and RMI markets.

UK clay products continues to develop its product and service package across all of its market segments and remains focused on maintaining and developing its unrivalled relationships with its customers.

**Concrete products**

UK concrete product revenues in 2015 were 1.5% lower than 2014 with increased revenue in new build housing related products – including roof tiles – outweighed by lower activity in fencing related products and rail products – where projects have been delayed. Revenue into the UK fencing sector in 2014 had been boosted by unusual weather conditions in the first half of that year.

The revenue of aesthetic concrete products targeted at the private residential and private domestic repair and maintenance markets increased in 2015 driven by an increase in demand from the private residential market which reflected the same positive trends in private housebuilding seen in our UK clay operations. As a result, sales of our award winning Gemini roof tile, roofing accessories and natural stone substitute products saw continued growth in 2015.

A major capital project has commenced in the concrete roof tile business which will provide a new tile line at our Leighton Buzzard facility to broaden our existing concrete tile range. The design phase of the project is complete with the manufacturing, installation and commissioning phase scheduled for the second half of 2016 ahead of a formal launch of the new product range from the beginning of 2017.

The outlook for our new housing market concrete products look positive for 2016 underpinned by the continued demand for new housing.

Sales of concrete fencing products, which are primarily focused on the private domestic repair and maintenance sector, reduced in the year to 31 December 2015. This was largely due to 2014 comparatives that included exceptional sales in the first half of that year as a result of sustained gale force wind conditions which boosted fencing sales for that year. There has been no change in the underlying market position of the UK concrete business in the concrete fencing segment which was strengthened during the year by a two-year sole supply deal with the UK's largest independent merchants buying group. In addition, there is continued focus on maintaining competitive position in these product areas by reducing manufacturing costs with further mechanisation of the production process and commercial focus on opportunities to broaden the core product range and maximise the sales of core products to established customers.

Concrete rail product sales declined during the year as a result of the slow release of projects following the introduction of Network Rail's Control Period 5 in 2014 and subsequent internal reorganisations within Network Rail. It is anticipated there will be an increase in activity in these product areas as Network Rail enters year three of its five-year control period cycle with the overall aggregate spend across the whole five-year control period expected to remain unchanged despite the current delays to projects.

The outlook across the UK concrete businesses remains positive with strong support for growth expected from new build housing volumes, the benefits of new concrete tile products in 2016 and the continued optimisation of existing strong market positions in concrete fencing and the rail sector.

**United States Clay products**

The US business, which accounts for c19% of the Group, performed strongly in 2015 with an increase in revenue of 9.5% to \$117m. Adjusted EBITDA in the US has increased to \$12m (a 12.7% improvement) in the year to 31 December 2015 reflecting a combination of rising volumes and higher average prices which include the benefit from a more favourable product mix. With both residential and non-residential markets in the North East and Mid West showing growth, Glen-Gery's balanced exposure across these markets drove the favourable mix.

Profitability improvement also reflects a renewed focus on selling the complete product bundle of manufactured and sourced products embracing an "engineered wall solutions" product and service portfolio to the residential and architecturally specified commercial channels. These efforts were enabled in many key markets by the combined strength of existing independent and Group owned distribution capabilities.

Prudent steps taken in the last economic downturn to contain costs and right-size the organisation are now also being reflected in improved operational efficiencies and profit performance as revenues and volumes continue to recover.

With the continued gradual recovery in the new residential construction sector, US clay products has been aided by a healthy improvement in sales to the architecturally specified commercial construction sector where revenues and margins are more favourable. These mix and margin gains are expected to continue in 2016 with continued architecturally specified commercial construction growth in the education, retail and office sectors together with the benefits of renewed growth in single family and multi-unit housing in our core geographic trading regions.

# Chief Financial Officer's Report



**Group turnover grew by 10.6% to reach £412.8 million (2014: £373.2 million) for the full year."**



## **Statutory overview**

Statutory revenue was £358.3 million and statutory profit before tax was £94.7 million in the period from 28 November 2014 to 31 December 2015. This represents the time from incorporation of Ibstock plc and Figgs Topco Limited – its predecessor entity.

The Group acquired the trading entities of Ibstock Building Products Limited in the UK and Glen-Gery Corporation in the US, and their respective subsidiaries on 26 February 2015, hence only 10 months of trading performance is included in the statutory results.

Due to the unusual nature of the statutory financial statements period, set out above, I have described in the following analysis the year ended 31 December 2015 with a comparative. This assumes that the acquisition had taken place at the beginning of 2015. I believe this provides shareholders with clearer information on the results of the operating entities and their relative performance in 2015.

Unless stated otherwise, commentary in this report refers to the presentation of results for the year to 31 December 2015, as explained above. A reconciliation to the statutory information is shown in Table 1, opposite.

## **Turnover**

Group turnover grew by 10.6% to reach £412.8 million (2014: £373.2 million). On a constant currency basis, turnover growth was 9.1%.

## **Adjusted EBITDA**

Management measure the Group's operating performance using adjusted EBITDA, which represents Earnings Before Interest, Taxation, Depreciation and Amortisation and exceptional items incurred in the period.



**Table 1: Reconciliation of statutory information to adjusted results**

	Revenue £'000	EBITDA before exceptional items £'000	Operating profit £'000
Statutory reported for the period 28 November 2014 (on incorporation) to 31 December 2015 <sup>1</sup>	358,331	102,299	163,648
Pre-acquisition costs in period 28 November 2014 (on incorporation) to 31 December 2014 <sup>2</sup>			571
Period 1 January to 26 February 2015 operating result <sup>3</sup>	54,497	4,715	1,259
Period 1 January to 26 February 2015 adjustment to operating result assuming acquisition took place on 1 January 2015 <sup>4</sup>			(1,490)
12 months ended 31 December 2015 (Note 24 to the accounts)	<b>412,828</b>	<b>107,014</b>	<b>163,988</b>
12 months ended 31 December 2014 (Note 24 to the accounts) <sup>5</sup>	373,233	64,993	43,172
	£m	£m	
UK	<b>336.3</b>	<b>99.0</b>	
US (Revenue \$117m, Adjusted EBITDA \$12m)	<b>76.5</b>	<b>8.0</b>	
12 months ended 31 December 2015	<b>412.8</b>	<b>107.0</b>	

1. Includes trading performance for the 10 months post-acquisition of the operating companies on 26 February 2015.
2. Figgs Topco Limited was incorporated on 28 November 2014 as the head company in a structure put in place as the acquisition entity of the trading companies. No trading performance is therefore included for this period, only the pre-acquisition costs incurred in the Figgs Topco Limited structure.
3. Due to the normal seasonality of our industry, the operating results in the first two months of 2015 were lower than the remainder of the year.
4. Depreciation and amortisation on the fair value uplift on acquisition and borrowing costs relating to the new financing structure for the period from 1 January 2015 to 26 February 2015, assuming the transaction took place on 1 January 2015.
5. 2014 information has been included without any update of the fair value exercise or financing structure following the acquisition.

After taking account of exceptional items relating to the costs of the acquisition of Ibstock Limited in the UK and Glen-Gery in the US and their subsidiary companies, the resulting negative goodwill, and the costs of the IPO transaction in October 2015 and losses on disposal of property, plant and equipment ("PP&E") also treated as exceptional items. Adjusted EBITDA improved by 64.7% from £65.0 million in 2014 to £107.0 million in the year ending 31 December 2015.

### United Kingdom

Revenue of clay and concrete products in the UK, which represents 81% of Group revenue, increased by 9% for the 2015 full year compared to 2014. The growth in revenue in 2015 primarily reflects the stronger pricing environment for clay bricks.

UK clay product revenue increased by 13.0% on the equivalent period in 2014 to £253.3 million (2014: £224.2 million), whilst concrete revenue of £82.9 million in 2015 showed a small decrease of 1.5%. Increased revenues in new build housing related products (including roof tiles) were offset by lower activity in fencing and rail related products. After considering the impacts of exceptional storms in 2014 and the delayed expected sales for Network Rail contracts, management believes that UK concrete product revenues performed more strongly than 2014,

In the UK, adjusted EBITDA increased by 71.0% to £99.0 million in 2015 from £57.9 million in 2014. This increase was driven by the strong pricing growth in clay products, noted above, higher utilisation of capacity across both our clay and concrete product manufacturing sites and reductions in energy prices during the year.

### United States

Revenue in the US increased by 9.5% in constant currency to £77.0 million in the year to 31 December 2015. This growth reflects a combination of rising volumes, and higher average selling prices in the year.

Adjusted EBITDA increased by 12.7% to £8.0 million (2014: £7.1 million) as a result of the lower energy costs incurred in the year and a favourable product mix.

### Cash flow and net debt

Cash generated from operations during the year ended 31 December 2015, excluding the impact of the exceptional operating items, are shown in Table 2 on page 40.

Net working capital balance at 31 December 2015 of £48.0 million compared with £35.2 million at 31 December 2014. This increase in working capital was as a result of rebuilding the inventories held, principally in the UK, following the exceptional inventory reduction in 2013 required to service increased customer demand.

Net working capital at the year end traditionally tends to be at the lowest position as industry activity slows in advance of the Christmas holiday period.

Our pre-exceptional net interest charge increased in 2015 due to the facilities entered into during the year, as set out below.

Net debt (term loan less cash) of £144.7 million at the year end was below management expectations as a result of timing differences. The initial senior facility taken on 25 February 2015 of £250 million (LIBOR floor of 1% plus a margin of 8%)

was replaced at the time of the IPO in October 2015 with a senior facility of £200 million. Interest on the new five-year term loan is payable at LIBOR plus a margin of between 125bps and 250bps – the margin dependent on the Group's leverage ratio. The Group also holds a committed Revolving Credit Facility ("RCF") of £40 million. The RCF has remained undrawn since the IPO.

The Group is subject to financial covenants. At 31 December 2015, there was significant headroom on both requirements. See Table 3 on page 40.

### Exchange rates

The Group is exposed to movements in exchange rates when translating the results of the US operations from US Dollars to UK Sterling. Sterling appreciated against the Dollar during 2015. The impact of this was a £0.6 million benefit to EBITDA in 2015.

### The following commentary relates to our statutory performance for the period.

### Exceptional items

In line with our accounting policy for exceptional items, we have excluded certain items from our adjusted results.

The acquisition of the operating entities in February 2015 resulted in a significant distortion to the normal trading results. Negative goodwill of £124.2 million, together with acquisition related expenses (£10.4 million), as described below, have been classified as exceptional in the period.

In October 2015, Ibstock plc floated on the London Stock Exchange with

## Chief Financial Officer's Report

continued

a premium listing. Non-recurring IPO costs totalled £13.7 million in the year ended 31 December 2015, which have similarly been classified as exceptional.

Other infrequent events, such as the loss on disposal of PP&E in the period of £1.4 million, have been treated as exceptional. Exceptional items are analysed fully in Note 4 to the financial statements.

### Acquisition

On 26 February 2015, as part of the technical accounting of the Group's entities, the Group acquired Ibstock Group Limited in the UK and Glen-Gery Corporation in the US along with their subsidiaries for consideration of £378.0 million. The acquisition resulted in £124.2 million of negative goodwill, which has been credited to the income statement in the period. On acquisition, intangible assets representing brands and customer contracts and relationships were recognised, valued at £45.4 million and £87.6 million, respectively. Further details on the acquisition are included in Note 24 to the financial statements.

### Finance costs

Finance costs for the period ended 31 December 2015 of £69.4 million are as a result of the acquisition in February 2015, along with the subsequent refinancing at the time of the IPO. Included within the costs are exceptional finance costs of £39.9 million arising on the repayment of the initial senior facility. Our expected normalised interest charges are c£5.5 million per annum.

### Taxation

The Group has recognised a tax credit of £6.9 million on Group pre-tax profits of £94.7 million resulting in an effective tax rate of -7.25% compared to the standard rate of UK corporation tax of 20.25%. Negative goodwill, other exceptional items and the impact of future tax rate changes on the deferred tax provision all had a significant impact on the effective tax rate in Table 4 opposite.

**Table 2: Cash flow and Net Debt (non-statutory)**

	2015 (£m)	2014 (£m)	Change (£m)
Adjusted EBITDA	107	65	+42
Capex before major projects	(9)	(3)	(6)
Adjusted change in working capital	(6)	–	(6)
Adjusted EBITDA – maintenance capex – change in WC	92	62	+30
Cash conversion	86%	96%	
Major project capex	(6)	(1)	(5)
Cash from operating and investing activities	86	61	+25
Net interest <sup>1</sup>	(6)	(2)	(4)
Tax <sup>1</sup>	(9)	(2)	(7)
Post-employment benefits	(2)	(1)	(1)
Adjusted free cash flow	69	56	+13

1. Estimated on a normalised basis.

**Table 3: Financial covenants (non-statutory)**

Covenant	Definition	Requirement	Position at 31 December 2015
Consolidated net debt	Ratio of consolidated net debt to consolidated adjusted EBITDA	3.5:1	1.36:1
Interest cover	Ratio of consolidated adjusted EBITDA to consolidated interest expense	4:1	>16:1

**Table 4: Taxation**

	£m	%
<b>Profit before taxation</b>	94.7	100
<b>Expected tax charge calculated at the standard rate of UK corporation tax for the period of 20.25%</b>	19.2	20.25
Different effective tax rate on US pre-tax profits	0.1	0.1
Non-tax deductible items	1.1	1.2
<b>Previously unrecognised US tax losses</b>	(0.7)	(0.8)
US withholding tax suffered	0.3	0.3
Tax charge before exceptional items and impact of rate change on deferred tax	20.0	21.1
Rate change impact on deferred tax provision	(5.1)	(5.4)
Negative goodwill	(25.6)	(27.0)
Non-tax deductible exceptional transaction costs	3.8	4.0
<b>Tax credit recognised in the consolidated income statement</b>	<b>(6.9)</b>	<b>(7.3)</b>



## Earnings per share

	2015	2014
Statutory basic EPS	<b>35.2p</b>	n/a
Adjusted basic EPS	<b>16.2p</b>	n/a

The movement in statutory basic EPS is distorted by the significant exceptional non-trading items occurring during 2015, as set out above.

Our adjusted EPS metric removes the impact of exceptional non-trading items relating to the acquisition, subsequent IPO costs and other exceptional items. Additionally, the fair value uplifts resulting from our acquisition accounting have been removed from the adjusted EPS calculations. The adjusted EPS figures have been included to provide a clearer guide as to the underlying earnings performance of the Group.

## Dividend

A final dividend of 4.4 pence per share is being recommended for payment on 3 June 2016 to shareholders on the register at the close of business on 6 May 2016. The ex-dividend date will be 5 May 2016.

Our dividend policy is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle. The Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the annual dividend, to be announced at the time of the announcement of the interim and final results.

## Pensions

In the UK, the Group operates a defined benefit scheme, which is closed to new members, together with a number of defined contribution schemes. At 31 December 2015, the defined benefit scheme was in an actuarial accounting surplus position of £17.4 million (against pension liabilities at the year end date of £551 million), and reflected the one-off contribution of £60 million paid during 2015. A further £9.0 million liability in respect of equalisation has been recognised reducing the surplus to £8.4 million (an asset due from CRH plc for £9.0 million is included separately within trade and other receivables). Within the financial statements, we have restricted the surplus position to £0.3 million based on our application of interpretation guidance on the related accounting standard.

Within our US segment, certain employees are members of two multi-employer post-employment schemes. At 31 December 2015, a liability of £8.0 million has been recognised in relation to these schemes.

Further details are provided in Note 19 to the financial statements.

## Subsequent events

With the exception of the proposed dividend, noted above, there have been no events subsequent to 31 December 2015, 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 long-term funding and cash deposits. The Group's banking facilities are a £200 million five-year loan and a £40 million committed RCF (undrawn at 31 December 2015). Both the term loan and the RCF expire in October 2020.

## Risks and uncertainties

The Board continually assesses and monitors the key risks impacting our business. Whilst the list is not intended to be exhaustive, and some risks are outside of the Group's control, the principal risks and uncertainties that could have a material impact on the Group's performance are set out in detail in our Risk management report on pages 30 to 34.

**Kevin Sims**  
Chief Financial Officer  
10 March 2016

## Strategic Report

Our Strategic Report from pages 1 to 41 has been reviewed and approved by the Board.

**Wayne Sheppard**  
Chief Executive Officer

**Kevin Sims**  
Chief Financial Officer  
10 March 2016

# Board of Directors



## 1. Jamie Pike MA, MBA, MIMechE (Non-Executive Chairman and Chairman of the Nomination Committee)

### Committee memberships:

Jamie Pike is Chairman of the Nomination Committee and a member of the Remuneration Committee.

### Date of appointment:

Jamie Pike (age 60) joined the Board in September 2015 as a Non-Executive Director, and became Non-Executive Chairman upon Admission.

### Independent: No

### Skills and experience:

Jamie Pike has over 24 years of experience at the senior management or director level of businesses, including cement manufacturing, construction, mining and building materials industries. He currently serves as Non-Executive Chairman at Tyman plc and RPC Group plc. He also serves as a Senior Independent Director at Spirax Sarco Engineering plc. He previously served as Non-Executive Chairman to Lafarge Tarmac Limited, MBA Polymers Inc, and the Defence Support Group and as a Non-Executive Director of two FTSE 250 companies, RMC Group plc and Kelda Group plc. Jamie Pike served as the Chief Executive Officer of Foseco plc from 2001 until its acquisition by Cookson Group plc in April 2008. Prior to that, he held various roles at Burmah Castrol from 1991 where he rose to become Chief Executive Officer of the Chemicals division before leading the Foseco buy-out from Burmah Castrol in 2001, which culminated in flotation on the main market in 2005. His early career was as a consultant with Bain and Co and A T Kearney. Jamie Pike is a member of the Institute of Mechanical Engineers.

## 2 Wayne Sheppard BSc, CEng MIMechE, MIET (Chief Executive Officer)

### Committee memberships:

None.

### Date of appointment:

Wayne Sheppard (age 56) joined the Board in September 2015, prior to which he was appointed a Director of Figgs Topco Limited in February 2015 pursuant to the Bain acquisition.

### Independent: No

### Skills and experience:

Wayne Sheppard has been with the Group for 20 years and has over 20 years of experience at the managing director level across a broad range of businesses and business groups within the building and construction products sector across Europe and latterly the United States. He is a chartered engineer, Principal of the Construction Products Association, Director and former President of the British Ceramic Confederation, and Director of the Brick Development Association. He is also a member of the Institution of Mechanical Engineers and the Institution of Engineering and Technology.

## 3. Kevin Sims ACMA (Chief Financial Officer)

### Committee memberships:

None.

### Date of appointment:

Kevin Sims (age 54) joined the Board in September 2015, prior to which he was appointed a Director of Figgs Topco Limited in February 2015 pursuant to the Bain acquisition.

### Independent: No

### Skills and experience:

Kevin Sims has been with the Group for 29 years and has 30 years of experience within manufacturing businesses. Kevin Sims was appointed Chief Financial Officer of Ibstock Building Products in October 2014, having held various finance-related managerial roles within the Group, including Financial Director of Ibstock Brick and CRH Product Group Financial Director – Clay Europe. He is a chartered management accountant and Chairman of Ibstock Pension Scheme Trustees.

## 4. Michel Plantevin MSc EEng, MBA (Non-Executive Director)

### Committee memberships:

Michel Plantevin is a member of the Nomination Committee.

### Date of appointment:

Michel Plantevin (age 59) joined the Board in September 2015 as a Non-Executive Director.

### Independent: No

### Skills and experience:

Michel Plantevin joined the Group in February 2015 as Non-Executive Chairman of Figgs Topco Limited pursuant to the Bain acquisition. Michel Plantevin currently serves as Managing Director of Bain Capital, a role he has held for over 12 years. Michel Plantevin has been involved in a wide variety of transactions in the industrial and energy sectors over that period. In his capacity as Managing Director at Bain Capital Europe LLC, Michel Plantevin serves as Non-Executive Director for a number of companies including FCI SA, IMCD N.V., Maison du Monde SAS and Trinseo S.A. Prior to joining Bain Capital he was a Managing Director at Goldman Sachs.

## 5. Tracey Graham (Non-Executive Director)

### Committee memberships:

Tracey Graham is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

### Date of appointment:

Tracey Graham (age 50) joined the Board as a Non-Executive Director in February 2016.

### Independent: Yes





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#### Skills and experience:

Tracey Graham is a Non-Executive Director of Royal London Group, the largest mutual life insurance and pensions company in the UK, where she is Chair of the Remuneration Committee. Tracey Graham is also a Non-Executive Director of Link Scheme Limited, the operator of the LINK system as set out in the Financial Services (Banking Reform) Act 2013, where she is also Chair of the LINK Consumer Council; a Non-Executive Director of ACAL plc, an international supplier of customised electronics to industry; and a Non-Executive Director of Dialight plc, an international LED lighting company. Among other previous appointments she was a Non-Executive Director of RPS plc. Tracey Graham was Chief Executive of Talaris Limited until 2010 where she led the company's management buy-out from De La Rue plc. She has also held senior positions in banking and insurance with HSBC and AXA Insurance.

#### 6. Lynn Minella (Non-Executive Director and Chair of the Remuneration Committee)

##### Committee memberships:

Lynn Minella chairs the Remuneration Committee and is a member of the Audit Committee and the Nomination Committee.

##### Date of appointment:

Lynn Minella (age 57) joined the Board as a Non-Executive Director in February 2016.

##### Independent: Yes

##### Skills and experience:

Lynn Minella is a member of the Executive Committee of BAE Systems plc and Group Director of Human Resources. Prior to joining BAE Systems, Lynn Minella was the Senior Vice President for Human Resources and Communications for Air Products, a global industrial gases company based in the USA. She joined Air Products in 2004 as a member of the company's Corporate Executive Committee and was responsible for the leadership and management of the Human Resources and Corporate Communications functions globally. Before joining Air Products, Lynn Minella spent 22 years at IBM, where she served in a variety of HR leadership positions.

#### 7. Jonathan Nicholls BA (Hons), ACA, FCT (Senior Independent Non-Executive Director and Chairman of the Audit Committee)

##### Committee memberships:

Jonathan Nicholls is Senior Independent Director, Chairman of the Audit Committee, and is also a member of the Remuneration Committee and the Nomination Committee.

##### Date of appointment:

Jonathan Nicholls (age 58) joined the Board in September 2015 as a Non-Executive Director, and became Senior Independent Non-Executive Director and Chairman of the Audit Committee upon Admission.

##### Independent: Yes

##### Skills and experience:

Jonathan Nicholls has over 17 years of experience at the senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development. Previously, Jonathan Nicholls served as the Chief Financial Officer of Hanson plc from 1998 to 2006 and Chief Financial Officer of Old Mutual plc from 2006 to 2008. Since 2009, he has served as a Non-Executive Director at Great Portland Estates plc and DS Smith plc, where for both companies he is the Senior Independent Director and Chairman of the Audit Committee and has served since 2009 as a Non-Executive Director of SIG plc where he is Chairman of the Audit Committee. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellowship member of the Association of Corporate Treasurers.

#### 8. Matthias Boyer Chammard MSc, MPA (Non-Executive Director)

##### Committee memberships:

None.

##### Date of appointment:

Matthias Boyer Chammard (age 35) joined the Board in September 2015 as a Non-Executive Director.

##### Independent: No

##### Skills and experience:

Matthias Boyer Chammard joined the Group in February 2015 as Non-Executive Director of Figgs Topco Limited, pursuant to the Bain acquisition. Matthias Boyer Chammard currently serves as a Principal of Bain Capital Europe LLC, a role he has held for over four years. In his capacity as a Principal at Bain Capital Europe LLC, Matthias Boyer Chammard also serves as a Non-Executive Director for Brakes Bros Ltd. Prior to joining Bain Capital, he worked at Boston Consulting Group in the energy and the industrial goods practices.

#### 9. Robert Douglas BSc (Econ), FCA (Company Secretary)

Robert Douglas is a Fellow of the Institute of Chartered Accountants in England and Wales. He joined the Group as IPO Project Manager in June 2015 and was appointed Company Secretary in October 2015. Robert Douglas brings with him considerable experience gained as CFO in listed and private companies. He was Deputy Group Finance Director and Company Secretary of a FTSE 250 house builder and developer. Earlier in his career he held a number of Finance Director and senior finance appointments in businesses engaged in construction and engineering.

# Corporate Governance Statement

## Chairman's introduction



**My responsibility as Chairman is to ensure that the Board operates effectively and efficiently and that it continues to uphold the high standard of corporate governance required for the long-term success of the Company."**



Ibstock plc successfully floated on the London Stock Exchange on 27 October 2015 and I am pleased to present this, the first Corporate Governance Statement as a listed company, to our shareholders.

This Statement explains key features of the Company's governance structure and compliance with the version of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council ("the Governance Code"). This Statement also includes items required by the Listing Rules and the Disclosure Rules and Transparency Rules ("DTR"). A copy of the Governance Code is available on the Financial Reporting Council website at [www.frc.org.uk](http://www.frc.org.uk).

It is the Board's intention to be fully compliant with the Governance Code. Although the Company was not fully compliant on Admission, significant progress is being made to ensure compliance and much has been achieved in a relatively short time frame. Whilst we have explained why we have not thus far complied with certain provisions of the Governance Code, we have also set out the actions that have or are taking place to work towards full compliance during 2016.

While other sections of the Annual Report cover our financial and operational achievements during the period, this section describes the effective leadership of the Board and how it endeavours to promote the highest standards of corporate governance throughout the Group.

My responsibility as Chairman is to ensure that the Board operates effectively and efficiently and that it upholds the high standards of corporate governance required for the long-term success of the Company. I believe the achievement of good governance is based on the appropriate level of oversight, good communication, a focus on risks, a commitment to transparency and ensuring a culture of continuous improvement in standards and performance across the business.

In future, the Board will revisit its 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. The Board aims to ensure that good governance extends beyond the Boardroom and is continually borne in mind in the successful delivery of the Group's strategic priorities over both the short and long term.

**Jamie Pike**  
Chairman  
10 March 2016



### Compliance with the UK Corporate Governance Code 2014

The purpose of the Governance Code is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. The main principles of the Governance Code set out standards of practice for the Board in relation to leadership, effectiveness, accountability, remuneration and its relations with shareholders. The Company was incorporated on 3 September 2015 and admitted to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange on 27 October 2015 ("Admission"). The Governance Code applied from Admission and the Company undertook a significant amount of work in preparation for this and continues to work towards full compliance.

The Board is committed to the highest standards of corporate governance. We have made significant progress since Admission and except as described in the table below, as of the date of this Annual Report, the Company complies and intends to continue to comply with the Governance Code. As envisaged by the Governance Code, the Board has established Audit, Nomination and Remuneration committees. If the need should arise, the Board may establish additional committees, as appropriate.

Governance Code provision	Description	Comments
B.1.2	Except for smaller companies at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent.	<p>The Governance Code recommends that, in the case of a FTSE 350 company, at least half the Board of Directors, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent for the purposes of the Governance Code.</p> <p>On Admission, the Board comprised six members, including the Non-Executive Chairman, who was independent on appointment, the Senior Independent Director, two Executive Directors and two Non-Executive Directors, Michel Plantevin and Matthias Boyer Chammard who are not considered to be independent for the purposes of the Governance Code as a result of being nominated to the Board by Diamond (BC) S.à r.l. Accordingly, the Company has not complied with the recommendation of the Governance Code in respect of composition of the Board.</p> <p><b>Actions taken to achieve compliance:</b> The Company was not compliant on Admission, but took swift action and two independent Non-Executive Directors were appointed in February 2016. The process to identify an additional independent Non-Executive Director is ongoing and following appointment the Company expects to be fully compliant with the Governance Code.</p>
B.2.1	There should be a nomination committee which should lead the process for board appointments and make recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors.	<p>The Nomination Committee is chaired by Jamie Pike and the other members are Jonathan Nicholls, Michel Plantevin, Tracey Graham and Lynn Minella. As at the year-end the Company had not complied with the recommendations of the Governance Code in respect of the number of independent Non-Executive Directors.</p> <p><b>Action taken to achieve compliance:</b> Since the year end Tracey Graham and Lynn Minella became members of the Committee and the Company has now complied with the recommendations of the Governance Code in this respect.</p>
B.6	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	<p><b>Action taken to achieve compliance:</b> The Board and its Committees are newly formed and sufficient time has not passed to conduct a meaningful Board evaluation process. Evaluation of the Board's performance will be a key issue for the attention of the Board and its Committees during the next 12 months.</p>
B.6.1	The board should state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted.	<p><b>Action taken to achieve compliance:</b> The Board has established a timetable of Board and Committee meetings. The Board and its Committees have also scheduled meetings at which the performance and effectiveness of the Board and its Committees will be evaluated. The Board is committed to conducting an externally facilitated evaluation of the effectiveness of the Board and its Committees within a three-year time frame, as envisaged by the Governance Code.</p>
B.6.3	The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of executive directors.	<p><b>Action taken to achieve compliance:</b> This review will be performed by the Senior Independent Director during 2016.</p>

# Corporate Governance Statement

continued

Governance Code provision	Description	Comments
C.2.3	The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	<p>Immediately prior to Admission the Board approved the thorough and detailed review of material internal controls in relation to financial, operational and compliance matters, that had been conducted during the IPO process. The Directors are comfortable that for the period covered by the Annual Report &amp; Accounts that the controls continued to operate effectively. However, the Board did not conduct a formal review of the effectiveness of the Group's system of risk management and internal controls prior to 31 December 2015 and hence was not compliant with the recommendations of the Governance Code in this respect.</p> <p><b>Action taken to achieve compliance:</b> In preparing the Annual Report &amp; Accounts the Board identified the principal risks faced by the Group and has set out ways in which they may be mitigated and managed. The Audit Committee will monitor these controls throughout the year and report to the Board accordingly. The Board intends to conduct a review of the effectiveness of the Group's system of risk management and internal control in 2016, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.</p>
C.3.1	The board should establish an audit committee of at least three independent non-executive directors.	<p>The Audit Committee is chaired by Jonathan Nicholls and its other members are Tracey Graham and Lynn Minella. The Governance Code recommends that, in the case of FTSE 350 companies, the Audit and Risk Committee comprises at least three Non-Executive Directors, independent for the purposes of the Governance Code, and that one such member has recent and relevant financial experience. Jonathan Nicholls has recent and relevant financial experience.</p> <p>As at the year-end the Company had not complied with the recommendations of the Governance Code in respect of the number of independent Non-Executive Directors.</p> <p>During the period between Admission and the year-end Jamie Pike was a member of the Committee.</p> <p><b>Action taken to achieve compliance:</b> Since the year-end Tracey Graham and Lynn Minella became members of the Committee. Having been a member since Admission, Jamie Pike stepped down from the Committee on 24 February 2016.</p> <p>As of the date of this Annual Report the Company is compliant with the recommendations of the Governance Code in this respect.</p>
D.2.1	The board should establish a remuneration committee of at least three independent non-executive directors. In addition, the Company Chairman may also be a member of, but not chair of, the committee if he or she was considered independent on appointment as Chairman.	<p>The Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent for the purposes of the Governance Code.</p> <p>Having been a member at Admission, Wayne Sheppard stepped down from the Committee on 24 February 2016.</p> <p>During the period between Admission and the appointment of Lynn Minella, the Committee was chaired by Jamie Pike.</p> <p><b>Action taken to achieve compliance:</b> As of the date of this Annual Report the Company is compliant with the recommendations of the Governance Code in this respect.</p> <p>The Remuneration Committee is chaired by Lynn Minella and its other members are Jonathan Nicholls, Jamie Pike and Tracey Graham.</p>

The Listing Rules require that we state how the "Main Principles" set out in the Governance Code have been applied. The required detail in line with the specific provisions of the Governance Code is set out in this Corporate Governance Statement.

## Share Dealing Code

The Company has adopted a code of securities dealings in relation to the Ordinary Shares which is based on, and is at least as rigorous as, the model code as published in the Listing Rules. The code adopted applies to the Directors, Persons Discharging Managerial Responsibilities and relevant employees of the Group.



## Relationship with shareholders

The Board recognises the importance of creating a clear flow of communication with all of the Company stakeholders including 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 where necessary.

All shareholders are invited to the Company's Annual General Meeting (the "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 26 May 2016 at 2:00 p.m. at the Mercure Leicester The Grand Hotel, Granby Street, Leicester LE1 6ES can be found in the Notice of Meeting, which, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report. This document will also be available on the Ibstock plc website ([www.ibstockplc.com/investors](http://www.ibstockplc.com/investors)). Results of voting at the AGM will be announced to the London Stock Exchange and will be published on our website at [www.ibstockplc.com/investors](http://www.ibstockplc.com/investors).

In line with the Governance Code, the Board has appointed Jonathan Nicholls as Senior Independent Director ("SID"). Jonathan is available to shareholders throughout the year if they have concerns that contact through the normal channels of the Chairman or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate.

The SID has met with the majority shareholders, Diamond (BC) S.à r.l., on a regular basis through their representatives on the Board of Directors.

## Leadership

### Board composition

The Governance Code recommends that the board of directors of a UK premium listed company includes an appropriate combination of Executive and Non-Executive Directors, with independent Non-Executive Directors (excluding the Chairman) comprising at least half the board. As at 31 December 2015, the Board comprised a Non-Executive Chairman, one independent Non-Executive Director, two non-independent Non-Executive Directors and two Executive Directors. The Company considers that Jamie Pike was independent on appointment and regards Jonathan Nicholls as independent for the purposes of the Governance Code.

In February 2016, Tracey Graham and Lynn Minella were appointed as Non-Executive Directors, whom the Board regards as independent for the purposes of the Governance Code.

### Appointment of Non-Executive Directors and observer by the controlling shareholder

On 22 October 2015, the Company entered into a Relationship Agreement with Diamond (BC) S.à r.l. (the "controlling shareholder"), under the terms of which the controlling shareholder has a right to nominate for appointment two Directors (each a "Shareholder Director") to the Board of the Company whilst its and its associates' shareholding in the Company is 25% or more; and to nominate for appointment one Shareholder Director to the Board of the Company whilst its and its associates' shareholding in the Company is 10% or more. If the controlling shareholder's shareholding in the Company is reduced to less than 25%, but is 10% or more and two Shareholder Directors are appointed to the Board of the Company, the controlling shareholder will, if requested by the Board, procure that one of its nominated Directors resigns from the Board. If the controlling shareholder and its associates' shareholding in the Company is reduced to less than 10%, the controlling shareholder will, if requested by the Board, procure that all of its remaining nominated Directors resign from the Board. In addition, for as long as the controlling shareholder and its associates' shareholding in the Company is 10% or more, the controlling shareholder shall also be entitled to appoint one Shareholder Director as a member of the Nomination Committee and, if invited by the Chairman of the relevant committee to send a Shareholder Director as an observer to meetings of the Remuneration Committee and the Audit Committee.

The Board confirms that, during the period from 22 October 2015 until the date of this report:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the controlling shareholder and its associates; and
- so far as the Company is aware, the procurement obligation included in the Relationship Agreement has been complied with by the controlling shareholder.

# Corporate Governance Statement

continued

## Board responsibilities and procedures

The following is a high level summary of the principal decisions that are specifically reserved for the Board:

- Responsibility for the overall management of the Group, including monitoring the Group's operating and financial performance.
- Approval of the Group's long-term objectives, values, standards, commercial strategy and annual budgets.
- Approval of the annual operating and capital expenditure budgets and any subsequent material changes to them.
- Making changes to the Group's capital, legal and corporate structure, including reduction, consolidation, sub-division or conversion of share capital.
- Approval of the half-yearly report, trading updates, the preliminary announcement of the final results and the Annual Report & Accounts.
- Approval of the dividend policy and declaration of any interim and final dividends.
- Approval of accounting and treasury policies, the Group's internal control systems and risk management strategy.
- Approval of significant acquisitions and disposals and material capital investments.
- Approval of significant borrowing facilities and other material contracts and transactions.
- Approval of resolutions to be put forward for shareholder approval at a General Meeting and all communications with shareholders and the market.
- Managing membership and approving adequate succession planning for the Board.
- Responsibility for the Group's corporate governance, determining the remuneration policy of the Group and determining Directors' remuneration.
- Approval of the Group's health and safety and sustainability and environmental policies.
- Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.

Matters not specifically reserved for the Board, including the day to day management of the Group, are delegated to the Executive Directors. To enable the Board to discharge its duties, all Directors receive appropriate and timely information.

## Board Committees

As envisaged by the Governance Code, the Board has established three principal Committees of the Board: an Audit Committee, a Nomination Committee and a Remuneration Committee. Each Committee has formally delegated duties and responsibilities set out in its written terms of reference. If the need should arise, the Board may establish additional committees, to consider specific issues, as appropriate. In line with each of the Committees' terms of reference, only members of the relevant Committee have the right to attend and vote at its meetings. Committee meetings are also attended by the Company Secretary, who acts as the secretary to each of the Committees. When appropriate, non-members on the Board, together with the Executive Directors may be invited to attend all or any part of any Committee meeting. The matters reserved for the Board and the terms of reference for each of the Board Committees are available on the Company's corporate website, at [www.ibstockplc.com/investors](http://www.ibstockplc.com/investors). Details of each of the Board-appointed Committees and their activities during the year are set out in the separate Committee Reports on pages 52 to 78, which are incorporated into the Corporate Governance Statement by reference. The Chairman of each Committee reports the outcome of the meetings to the Board. Details of Committee memberships are included in the Directors' biographies on pages 42 and 43.

## Diversity

We fully support the aims, objectives and recommendations outlined in Lord Davies' Report "Women on Boards" and are aware of the need to increase the number of women on our Board and in senior positions throughout the Group. However, we do not consider that it is in the best interests of the Company and its shareholders to set prescriptive targets for gender on the Board and we will continue to make appointments based on merit, against objective criteria to ensure we appoint the best individual for each role. Across our business of approximately 2,700 employees, c13.3% are female. Following the appointment of Tracey Graham and Lynn Minella in February 2016, 25% of the Board are women.

## Decision-making and Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. 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 authorisation. Any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Directors voting or without their votes being counted. In making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Company.

The Company has established a procedure for the appropriate authorisation to be sought prior to the appointment of any new Director, or prior to a new conflict arising and for the regular review of actual or potential conflicts of interest. An Interests Register records any authorised potential conflicts and will be reviewed by the Board on a regular basis to ensure that the procedure is working effectively.

## Board induction and development

On appointment, Non-Executive Directors, who are expected to provide a time commitment to the Company of at least 25 days a year and to recognise the need for availability in the event of a crisis, are provided with a detailed induction programme. The induction programme covers the Company's operations, including social, ethical and environmental matters, the Group's principal risks and internal controls in place to manage those risks, meetings with senior management and tours of the Group's main properties. The 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. Senior managers and external advisers present to the Board during the year on a range of subjects and the Directors also individually attend seminars or conferences associated with their expertise. The level and nature of training by the Directors will be reviewed by the Chairman at least annually.



## Effectiveness

### Division of responsibilities

#### Chairman and the Chief Executive Officer

For the Board to remain effective, the Governance Code requires a clear division of responsibilities between the Chairman and the Chief Executive Officer. These positions are held by Jamie Pike as Chairman and Wayne Sheppard as Chief Executive Officer. The roles and responsibilities of the Chairman and the Chief Executive Officer are set out and are available to view on the Company's corporate website at [www.ibstockplc.com/investors](http://www.ibstockplc.com/investors).

The Chairman reports to the Board and is the guardian of the Board's decision-making processes. He is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Chairman also promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information and that there is effective communication with shareholders.

The Chief Executive Officer, assisted by senior management, is responsible for proposing and developing the Company's strategy and commercial objectives for consideration by the Board, and for implementing the decisions of the Board into the day to day functions of the business.

#### The Chief Financial Officer

The Chief Financial Officer is responsible for the financial reporting and management of the Group. In addition to the finance, audit, tax and treasury functions, he is also jointly responsible with the Chief Executive Officer for the Group's M&A strategy, and investor relations.

#### The Senior Independent Director

The Senior Independent Director is available for shareholders to voice any concerns which may not be appropriate for discussion through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer. The Senior Independent Director also leads the Chairman's appraisal, serves as an intermediary for the other Directors with the Chairman as necessary and acts as a sounding board for the Chairman as required.

#### Non-Executive Directors

At the date of this report, Independent Non-Executive Directors comprise 42% of the Board, excluding the Chairman. The Board believes that these Non-Executive Directors, Jonathan Nicholls, Tracey Graham and Lynn Minella, possess strong independent character and judgement and bring a wide range of business experience in some areas related to and in other areas complementary to the activities of the Group.

#### Directors' insurance cover and indemnity

The Company maintains, at its expense, a Directors' and Officers' liability insurance policy to afford an indemnity in certain circumstances for the benefit of Group personnel including, as recommended by the Governance Code, the Directors. This insurance policy does not provide cover where the Director or Officer has acted fraudulently or dishonestly.

The Company has also provided an indemnity for its Directors to the extent permitted by the law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly.

#### Board evaluation

As the Company has listed relatively recently, and as outlined in our compliance statement above, a formal and rigorous Board evaluation process, as required by the Governance Code, has not yet been undertaken. However, an internal review of the effectiveness of the Board and its Committees will be undertaken during the forthcoming year and a formal independent evaluation of the Board and its Committees will be conducted at an appropriate stage in the Board's development, but nevertheless within three years, as recommended by the Governance Code. Going forward, the Chairman will meet with the independent Non-Executive Directors in the absence of the Executive Directors bi-annually and the Senior Independent Director will meet with the independent Non-Executive Directors annually, in the absence of the Chairman, to appraise his performance.

#### Development and advice

The Directors of all Group companies, as well as the Board, also 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. A personalised induction and subsequent training programme is provided to new members of the Board and its Committees.

#### Meetings and attendance

The Board intends to meet approximately eight times a year and may meet at other times as required or otherwise at the request of one or more of the Directors. Where urgent decisions are required between meetings on matters specifically reserved for the Board, there is a process in place to facilitate discussion and decision-making. The Directors regularly communicate and exchange information irrespective of the timing of meetings.

The number of meetings of the Board and the attendance by the Directors during the period between Admission and the year-end is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee*
Jamie Pike	2/2	1/1	2/2	0/0
Jonathan Nicholls	2/2	1/1	2/2	0/0
Michel Plantevin	2/2	n/a	n/a	0/0
Matthias Boyer Chammard	2/2	n/a	n/a	n/a
Wayne Sheppard	2/2	n/a	2/2	n/a
Kevin Sims	2/2	n/a	n/a	n/a

Footnote:

\* All of the Board's committees were established immediately prior to Admission. The Nomination Committee did not meet formally during the period of time between Admission and the year-end.

This table only shows those meetings which each Director attended as a member rather than as an invitee. Where "n/a" appears in the table the Director listed is not a member of the Committee. Directors do not participate in meetings when matters relating to them are discussed.

## Corporate Governance Statement

continued

The Board aims to hold at least two Board meetings each year at Group business locations, both in the UK and the US, to enable Board members to gain a deeper understanding of the business. This also provides senior managers from across the Group with the opportunity to present to the Board as well as to meet the Directors on more informal occasions.

Since the year-end the Board, Audit Committee, Remuneration Committee and Nomination Committee each met on one occasion. The meetings were attended by all those eligible to attend.

### External directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. The external commitments of the Board are set out in their biographies on pages 42 and 43. The Board is content with the level of external directorships of its Chairman and independent Non-Executive Directors as these do not impact on the time that any Director devotes to the Company and we believe that this experience only enhances the capability of the Board. None of the Executive Directors hold external directorships save for Wayne Sheppard, who is Principal of the Construction Products Association, a Director of the British Ceramic Confederation, and a Director of the Brick Development Association.

## Accountability

### Internal controls

The Board remains ultimately accountable for a clear number of areas that are contained in its "Matters Reserved for the Board", including responsibility for the effectiveness of internal control and risk management. The Board as a whole discuss, challenge and give approval on the financial statements. Details of the internal controls of the Company (including a description of the main features of its internal control and risk management arrangements in relation to the financial reporting process) and the manner in which the Board and its committees assess the effectiveness of these controls are set out as part of the Audit Committee Report on pages 53 to 55.

The Group's internal control is 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 Group has a process for the identification, evaluation and management of significant business risks. The Board has during the period identified and evaluated the key risks and has ensured that effective controls and procedures are in place to manage these risks.

The Executive Directors meet regularly with representatives from the businesses to address financial, human resource, legal, risk management and other control issues. During the period the Board has performed a review of the effectiveness of internal control and the management of risks as part of the IPO.

In relation to the Board's responsibility to approve the financial statements the Board sets out its Directors' Responsibility Statement at the end of this section. The Board also retains its responsibility to approve the annual budget. Monitoring of the annual budget, following approval, is carried out through regular updates against budget circulated as part of the Chief Financial Officer's report to the Board. In addition, the Board reviews all significant capital expenditure requests separately, after a general approval for the quantum of the capital expenditure budget has been granted. Measures such as these maintain adequate levels of control and scrutiny over the budget and capital expenditure at Board level. The Board recognises that its committees are only empowered to make recommendations to the Board for their approval, unless a specific authorisation to approve certain matters is granted. To facilitate information flows, a verbal update is given by the Chairman of the relevant committee in the subsequent Board meeting following a committee meeting.

The Board intends to conduct a review of the effectiveness of the Group's system of risk management and internal control in 2016, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

### Fair, balanced and understandable – a matter for the whole Board

As part of its considerations as to whether the 2015 Annual Report & Accounts are fair, balanced and understandable, and provide information necessary for shareholders to assess the Company's position, performance, business model and strategy, the Board takes into account the following:

- the Chairman and Chief Executive provide input to and agree on the overall messages and tone of the Annual Report at an early stage;
- individual sections of the Annual Report and financial statements are drafted by appropriate senior management with regular review meetings to ensure consistency of the whole document;
- detailed reviews of appropriate draft sections of the Annual Report & Accounts are undertaken by the Executive Directors;
- a final draft is reviewed by the Audit Committee and the auditors on a timely basis to allow sufficient consideration and is discussed with the Chief Financial Officer and senior management prior to consideration by the Board; and
- the Chief Financial Officer, in his February Board paper, includes a checklist of areas that the Board should take into consideration in considering the fairness, consistency and balance of the final draft of the Annual Report and financial statements, including whether the Board considers that there are any omissions in information.

The Statement of Going Concern and the Viability Statement appear on page 80.

**Jamie Pike**  
Chairman

10 March 2016



### Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements 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 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 Republic of Ireland, and applicable law. Under company law the Directors must not approve the 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 period.

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 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 IFRSs are 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are of the opinion that the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

### Directors' Responsibility Statement

The Directors who were in office as at 31 December 2015 and whose names and functions are given on pages 42 and 43 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.

This Responsibility Statement was approved by the Board of Directors on 10 March 2016 and is signed on its behalf by:

**Wayne Sheppard**  
Chief Executive Officer  
10 March 2016

**Kevin Sims**  
Chief Financial Officer  
10 March 2016

# Nomination Committee Report



Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee (the "Committee") for the financial period ended 31 December 2015.

## Committee membership

Although the Committee was not compliant with the recommendations of the Governance Code on Admission, following the appointment of Tracey Graham and Lynn Minella as independent Non-Executive Directors and members of the Committee on 3 February 2016, the Committee is now compliant.

The members of the Nomination Committee during the period ended 31 December 2015 were as follows: myself as Chairman, Jonathan Nicholls, the Senior Independent Non-Executive Director, and Michel Plantevin.

The current members of the Committee are myself as Chairman, Jonathan Nicholls, Tracey Graham, Lynn Minella (all of whom are independent Non-Executive Directors) and Michel Plantevin.

## Responsibilities

The key responsibilities of the Committee are as follows:

- Develop and maintain a formal, rigorous and transparent procedure for making recommendations to the Board on appointments, structure, size and composition of the Board;
- Succession planning for Directors and other senior managers;
- 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 as and when they arise;
- Review the time commitment required from Non-Executive Directors and to evaluate the membership and performance of the Board and its Committees; and
- Recommend the re-appointment of Non-Executive Directors and re-election of Directors.

## Activities of the Committee up to the date of this report

The Committee did not meet between Admission and the year-end.

The following matters were considered by the Committee after the year-end to:

- Adopt the Committee's Terms of Reference;
- Recommend the appointment of Tracey Graham and Lynn Minella as Non-Executive Directors. Egon Zehnder, the external search firm, which has no other connection to the Company, worked with me to devise a long list of candidates. A short list was then compiled and the Committee, together with the Executive Directors, met with these candidates and was able to formulate its recommendation to the Board; and
- Review succession planning for the Board.

## Succession planning and Board diversity

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 aim of the Committee is to ensure that the Board is well balanced and appropriate for the needs of the business and the achievement of its strategy, comprising Directors who are appropriately experienced and are independent of character and judgement. Before recommending new candidates to the Board, the Nomination Committee takes account of the balance of skills, knowledge, experience and diversity of psychological type, background and gender. However, all Board appointments will always be made on merit. Additional information is included in the Corporate Governance Statement on page 48.

## Ensuring the Directors' independence and commitment to their roles

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 other commitments they already have. Agreement of the Board is also required before a Director may accept any additional commitments to ensure possible conflicts of interest are identified and that they will continue to have sufficient time available to devote to the Company. Any other conflicts of interest are also considered at each Board meeting.

## Committee effectiveness

The effectiveness of the Committee will be reviewed on an annual basis by both the Board and the Committee. It is anticipated that the first review will take place in November 2016, at which time the Committee will have been in existence for more than one year.

## Jamie Pike

### Chairman of the Nomination Committee

10 March 2016



# Audit Committee Report



Dear Shareholder,

Welcome to the first Report of the Audit Committee (the "Committee"). The Committee reviews and makes recommendations to the Board on the Group's financial reporting, internal control and risk management systems and the independence and effectiveness of the external auditors. The Committee provides independent monitoring, guidance and challenge to Executive Management in these areas. Through this process the Committee's aim is to ensure high standards of corporate and regulatory reporting, an appropriate control environment, risk management and compliance. The Committee believes that excellence in these areas enhances the effectiveness and reduces the risks to the business.

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

In October 2015, Ibstock plc was admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. Prior to the Group's flotation the Directors performed a review which did not highlight the requirement for any significant changes to the Group's processes and procedures.

I shall be available at the Annual General Meeting to answer any questions shareholders may have regarding the work of the Committee.

## Audit Committee and advisers

From Admission until February 2016, the Committee comprised Jamie Pike and myself. During February 2016, Tracey Graham and Lynn Minella were appointed to the Board as Non-Executive Directors and also became members of the Committee. Following their appointment, Jamie Pike stood down from the Committee on 24 February 2016.

The Audit Committee provides a forum for reporting and discussion with the Group's external auditors in respect of the Group's half year and period end results and meetings are also attended by certain Executive Directors and senior managers by invitation.

The Committee met formally on one occasion prior to the period end. However, I have maintained a regular dialogue with the Chief Financial Officer and external auditor since Admission.

The Committee met in February 2016 to consider, amongst other matters, the Annual Report & Accounts. The Committee intends to meet at least four times per year going forward, in alignment with the financial reporting timetable.

## Purpose and aim

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, providing independent monitoring, guidance and challenge to Executive Management in these areas.

## Key responsibilities include:

- To ensure the consistent application of, and any changes to, significant accounting policies across the Group;
- To monitor the integrity of the financial statements of the Group;
- To monitor and challenge the effectiveness of the Group's internal financial controls, as well as the internal control and risk management systems;
- To monitor the effectiveness of the Group's whistleblowing procedures;
- To evaluate the effectiveness of the Group's Internal Audit function;
- To make recommendations to the Board on the appointment, independence and effectiveness of the Group's external auditor and to negotiate and agree their remuneration; and
- To develop and implement the Group's non-audit services policy.

The Audit Committee's Terms of Reference are available on the Company's website ([www.ibstockplc.com/investors](http://www.ibstockplc.com/investors)).

## 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 commenced this process at the December 2015 meeting and intends to use the Audit Planning meetings in May and November each year to consider proposed accounting treatments for major transactions, significant reporting judgements and key assumptions related to those judgements.

## Audit Committee activities during the period

At the meeting held in December 2015 the Committee:

Undertook a year-end planning update, which included:

- Meeting with the external auditors to review their proposals for the audit of the Group for the period ended 31 December 2015;
- Review of:
  - significant accounting, reporting and judgement matters
  - the going concern assessment approach – see page 80
  - the Group's approach to producing a viability statement over a three-year period
  - developments in corporate governance and reporting requirements and proposed disclosure in the 2015 Annual Report in relation to the UK Corporate Governance Code
  - areas of potential fraud and mitigating controls in place
  - whistleblowing policy – see page 55
- Agreement of 2015 audit fee; and
- Approval of the policy on the engagement of the external auditor for the provision of non-audit services.

Following the year-end the Committee met in February 2016 at which it:

Undertook a review of the Annual Report & Accounts, which included:

- Confirmation that the Annual Report was fair, balanced, understandable and provided the necessary information required by shareholders to assess performance, position, business model and strategy. The Committee recommended that the Board approve the Annual Report & Accounts on this basis. The names and functions of the Directors who were in office as at 31 December 2015 are given on pages 42 and 43.

## Audit Committee Report

### continued

Reported to the Board on how the Committee had discharged its responsibilities, which included:

- Significant risk areas considered:
  - Appropriate treatment of customer rebates linked to revenue recognition
 

The Group has a number of contracts with its customers containing volume rebate clauses based on revenue earned in the period. Given the material nature of the Group's rebates, the Committee requested that management review its accounting practices in this area which confirmed the nature of the basis of the calculation (with reference to contractual agreements) and the controls in place to record the rebate and settle in cash, and input from the external auditor, the Committee was satisfied that accounting balances at 31 December 2015 were appropriately recorded.
  - Pension accounting
 

The Group has a defined benefit pension scheme in the UK and post-retirement obligations in its US operations. Judgement is taken by management around the assumptions used, including the impact of sensitivities to these assumptions, by its actuary to calculate the pension scheme assets and liabilities under IAS 19(R). The Committee considered the basis of the actuarial calculation and the assumptions used. In the UK scheme, an actuarial surplus has been restricted to £0.3 million based on the application of accounting guidance. Management presented a paper to the Committee setting out the basis of its treatment in this area and wider pension accounting judgements and the Committee agreed with the conclusions reached by management. The Committee also agreed the recording of the £8.0 million liability in respect of the US pension.
  - Acquisition accounting
 

The significant business combination that occurred during February 2015 required complex accounting and disclosure within the financial statements. The Committee considered the appropriateness of the judgements taken by management in arriving at the Group's acquired fair value balance sheet. The Committee considered the independent valuations received by management in support of the assets and liabilities recognised, together with management's own assessments, and received input from the external auditor as to the adequacy of the resulting accounting and related disclosures. The Committee agreed with the judgements reached by management.
- Other key areas of consideration:
  - Carrying value of non-current assets
 

The Group holds significant asset values in the form of mineral reserves, land and buildings, and property, plant and equipment. The Committee considered the processes adopted by management in assessing whether, in their judgement, any indicators of impairment existed. The Committee reviewed management's conclusions in this area and 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.
  - Provisions and contingencies
 

The Group holds a number of provisions and contingent liabilities as at the period end date. The Committee reviewed the judgements made by management in this area, and agreed that the proposed quantum of the provisions was appropriate and that contingent liabilities had been suitably disclosed.

- Classification of non-underlying items
 

The principal items recognised as exceptional are costs related to the acquisition during the period and the subsequent IPO, and negative goodwill arising on the acquisition of the operating companies. The Committee considered both the nature and the quantum of those items disclosed as exceptional within the 2015 financial statements. Management demonstrated that the treatment was in line with current practice and existing guidance issued by the FRC. The Committee reviewed management's analysis of the classification and assessment of items' nature and received input from the external auditor to confirm that such accounting treatment is consistent with accounting guidance. The Committee concluded that treatment of these items as exceptional was in line with the Group's accounting policy, and was appropriately disclosed.
- IFRS first time reporting
 

The 2015 Annual Report & Accounts is the Group's first publication since its listing in October 2015. As a result, the Committee considered, and satisfied itself, with due input from management and the external auditor, that the appropriate accounting policies were in place and that adequate disclosure had been included in the consolidated financial statements.
- Other activities:
  - Explanation of the assessment of effectiveness of the external audit process.
  - Recommendation to the Board on the reappointment and remuneration of the external auditor.
  - Consideration and recommendation to the Board to approve the Viability Statement. The Committee reviewed and challenged management's underlying assertions (e.g. look out period, assumptions and consistency with the IPO forecasts).
  - Management confirmed to the Committee that they were not aware of any misstatements, either material or immaterial, in the documents and information underpinning their assessment.

After reviewing the reports from management and consulting where necessary with the external auditors the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately scrutinised, challenged and are fairly stated.

#### **Fair, balanced and understandable**

It is the Board's responsibility to determine whether the 2015 Annual Report and financial statements are fair, balanced and understandable. The Committee's role in that process is covered on page 50.

#### **Internal controls and risk management**

The Audit 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 processes.

#### **Internal audit**

The Group has a focused internal audit function which performs a rolling programme of key control reviews. The Committee acknowledges the importance of an effective internal audit function and has commissioned RSM UK Group LLP to undertake a "health-check" of the Group's current Internal Audit arrangements and the wider control environment. A report on the findings is expected to be received in May 2016 and the Committee will act upon those recommendations as it considers appropriate.



### **The external audit, review of its effectiveness, non-audit services and auditor reappointment**

The Committee advises the Board on the appointment of the external auditors and their effectiveness, independence and objectivity, and discusses the nature and results of the audit with the external auditors. As part of the review of the effectiveness of the external audit process, a formal evaluation process incorporating views from the Committee and relevant members of management will be considered by the Committee and feedback will be provided to the external auditors. These reviews are expected to include:

- 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.

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 auditors as appropriate; and the timely provision of the draft half year results announcement and Annual Report & Accounts for review by the auditors and the Committee.

Having undertaken its review, in the opinion of the Committee, it is content with the relationship it has with the external auditors and the Committee is satisfied that they are independent and effective. The Committee has, therefore, recommended to the Board that Ernst and Young LLP ("EY") be reappointed as auditor at the 2016 Annual General Meeting. There are no contractual obligations restricting the Company's choice of external auditor.

Following the sale by CRH plc, the Group has retained the existing external auditors and therefore EY have been the Company's external auditors since its incorporation in September 2015. In accordance with the recent changes to the UK Corporate Governance Code, CMA order and EU Audit Directive, it is the Group's intention to put the audit out to tender at least once every 10 years.

The Committee has written terms of reference which have been published on the Company's corporate website at [www.ibstockplc.com/investors](http://www.ibstockplc.com/investors) and have been summarised within this report. In addition, the Committee intends to formalise an annual plan in 2016 to address the key areas for review, the reports from which will highlight to the Board any required developments in its risk management systems.

In addition to the review of the formal management letter from the external auditors which outlines how points raised by them have been addressed by management, feedback is sought from the external auditors on the conduct of members of the finance team during the audit process. In addition, I have met with the lead audit partner outside the formal Committee process and will do so during the year on a regular basis.

The external auditors are responsible for the annual statutory audits of the Group's subsidiaries and other services which the Committee believe they are best placed to provide.

EY provided reporting accountant services in relation to the IPO. Details of the amounts paid to the external auditor are set in Note 5 to the financial statements. Since Admission the auditors have not undertaken any new assignments outside the scope of the statutory audit. EY has provided tax compliance services in respect of the US business, which will cease in 2016. With this exception, and in line with good practice, EY does not provide taxation services for the Group. Such services are currently provided by PricewaterhouseCoopers LLP.

Following the IPO, a non-audit services policy has been developed to clearly set out 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 £100,000, or where such an assignment would take the cumulative total of non-audit fees paid to the external auditors 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 New Statutory Audit Framework, which applies to financial years beginning on or after 17 June 2016.

### **Fraud, whistleblowing and the Bribery Act**

The Committee monitors any reported incidents under its whistleblowing policy. This policy is included in the Employee Handbook and sets out the procedure for employees to raise legitimate concerns about any wrongdoing in financial reporting or other matters such as:

- something that could be unlawful;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- damage to the environment; or
- improper conduct.

There were no concerns notified to the Group that required the attention of the Committee during the period under review and up to the date of this report. The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group is committed to a zero-tolerance position with regard to bribery. Anti-bribery guidance and training is provided to certain employees 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.

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

The Company has complied since Admission 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).

### **Jonathan Nicholls Chairman of the Audit Committee**

10 March 2016

# Directors' Remuneration Report

## Remuneration Committee Chair's Annual Statement



Dear Shareholder,

As the Chair of the Remuneration Committee, I am pleased to present the report of the Board covering the Remuneration Policy (the "Policy") and practice for the first time as a listed company. Work on the Policy was started following the initial share offering on 27 October 2015. In February of 2016, I was appointed to the Board and as Chair of the Remuneration Committee. Tracey Graham was also appointed to the Committee in February. Since then, the Committee has reviewed and built on the remuneration work done by the Board in the lead up to the IPO and published in the prospectus. Having been a member at the time of Admission, Mr Sheppard stepped down from the Committee in February.

Our goal is to have a Remuneration Policy which supports the Group's goals to extend its position in the building products industry and to deliver long-term sustainable growth. In our new Remuneration Policy, we are striving to incentivise and motivate the leadership team to implement the Company's strategic goals and to also ensure they are aligned with shareholder expectations. This has guided our thinking and actions in our work. This report lays out the core principles of our Remuneration Policy and our practice over the past year. In our Policy description we have worked to provide the transparency and clarity to enable our shareholders to understand the intent of our remuneration.

### Remuneration Committee members

Lynn Minella (Chair)  
Tracey Graham  
Jonathan Nicholls  
Jamie Pike

### Structure of the report

- Annual Statement (pages 56 and 57)
- Directors' Remuneration Report "at a glance" (pages 58 to 60)
- Directors' Remuneration Policy (pages 61 to 73)
- Annual Report on Remuneration (pages 74 to 78)

### Our core principles of remuneration

- To ensure senior executives are attracted, retained and motivated to drive the next stage of development in the Company post-IPO;
- To incentivise the management team in extending the Company's position in the building products industry; and
- To deliver long-term sustainable growth.

### Company highlights for the 2015 financial period

2015 was a transitional year for the Group as a result of the public listing of the Company on 27 October. Extensive work was undertaken by the senior management team in preparation for the IPO to ensure its success.

Throughout the transition and post IPO, the CEO, the CFO and the senior management team have continued to drive the Group's strategy to extend its position in the building products industry and to be its customers' partner of choice by providing consistent high quality, reliable and innovative products with a constant focus on strong customer service and value.

The effectiveness of the senior management team in implementing this strategy has been substantiated in the level of satisfaction of the Company's KPIs. A number of the Company's KPIs (Adjusted EBITDA and Adjusted Operating Cash Flow) and operational goals were reflected in the bonus targets for 2015. Full details of the strategy and KPIs are contained on pages 22 to 25. For 2015 maximum bonuses were earned by the Executive Directors.

### Remuneration Committee decisions and activity following the IPO

The Group's Remuneration Policies and practices were reviewed extensively in preparation for the IPO to ensure appropriate remuneration arrangements were in place to support Company strategy following the listing of the Company.

The Remuneration Policies and practices that were outlined in the prospectus at the time of the Company's listing in October 2015 have been largely maintained. However, we have taken the opportunity to review all the key components of remuneration since the IPO to ensure that the proposed Remuneration Policy is fit-for-purpose as a listed Company and aligns with the Company's strategic objectives and shareholder expectations.

In addition, we have undertaken the following activity as a Remuneration Committee:

- determined the Committee's Terms of Reference;
- formulated the Company's Remuneration Policy as a listed company; and
- completed the Company's first Remuneration Report as a listed company.

We shared our Policy with our top shareholders and the main shareholder bodies in March prior to its formal publication. It was a valuable opportunity to receive feedback on our Remuneration Policy.



Two resolutions will be put to shareholders at the AGM.

We will first seek approval for the Remuneration Policy Report (Part A: pages 61 to 73). This outlines the Company's Remuneration Policy for Executive Directors effective from the 2016 Annual General Meeting (AGM). The vote is binding on the Remuneration Committee and has a duration of up to three years.

The second is seeking approval for the Annual Report on Remuneration (Part B: pages 74 to 78). It details decisions and actions taken by the Committee based on the performance of the Company and remuneration consequences. This section of the report is subject to an annual advisory vote.

Our goal has been to be thoughtful and clear in the layout of both parts of the report and I look forward to your support on both resolutions.

I welcome any feedback from the Company's shareholders.

**Lynn Minella**  
**Chair of the Remuneration Committee**  
 10 March 2016

#### Notes

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 Corporate Governance Code and taking into account the new UK Corporate Governance Code (applying for financial years beginning on or after 1 October 2014) (the "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;
- The Remuneration Policy Report which sets out the Company's Remuneration Policy for Directors and the key factors that were taken into account in setting the Policy. This Policy will apply for three years from its date of approval at the 2016 AGM; 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 2015 financial period.

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM. The Remuneration Policy will be subject to a binding vote.

# Directors' Remuneration Report

continued

## At a glance

### Introduction

In this section, we set out the remuneration outcomes for the 2015 financial period and an overview of our proposed Remuneration Policy for 2016 (subject to a binding vote by shareholders at our 2016 AGM).

### 2015 financial period:

#### Remuneration outcomes

2015 was a transitional year for the Company as we successfully floated in October 2015 to become a listed company. This marks a significant change for the Company and for the roles of our Executive Directors.

Despite the backdrop of changes for the Company in 2015, the Company delivered strong operational performance in the period. Our 2015 results and the associated bonus outcomes outlined below reflect the performance measures and targets put in place during our 2015 financial period and their level of satisfaction.

#### 2015 bonus outcomes

Performance condition	Weighting	Threshold performance required	Maximum performance required	Actual performance	Percentage of maximum performance achieved	Bonus value achieved <sup>1</sup>	
						Wayne Sheppard <sup>2</sup>	Kevin Sims <sup>3</sup>
<b>Adjusted EBITDA</b>	33%	£68.2m	£85.3m	£107.0m	100%	£84,080	£50,389
<b>Adjusted Operating Cash Flow</b>	33%	£39.3m	£52.6m	£119.3m	100%	£84,080	£50,389
<b>Personal objectives</b>	33%	Personal objectives for 2015 met in full.			100%	£84,080	£50,389
<b>Total</b>	<b>100%</b>				<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total</b>	<b>100%</b>				<b>100%</b>	<b>£252,240</b>	<b>£151,167</b>

#### Notes:

- Under the terms of the 2015 bonus, 0% for each element is payable for achieving the threshold performance increasing to 100% for achieving maximum performance. Achievements between these points are calculated on a straight line basis.
- Bonus opportunity of 60% of salary pre-IPO and 125% of salary post-IPO. Bonus payment based on base salary of £308,100 pre-IPO and £425,000 following the IPO.
- Bonus opportunity of 50% of salary pre-IPO and 125% of salary post-IPO. Bonus payment based on base salary of £200,265 pre-IPO and £290,000 following the IPO.

The detail of the outcomes can be found in the Annual Report on Remuneration on pages 74 to 78. The 2015 bonus will be paid in cash. The only incentive arrangement operated in 2015 was the bonus plan. The first awards under the LTIP adopted prior to the IPO will be in 2016.

### Equity exposure of the Executive Directors

As a result of the IPO, both of the Executive Directors have significant shareholdings in the Company as set out below, providing them with a material stake in the business.

The following chart sets out all subsisting interests in the equity of the Company held by the Executive Directors at 31 December 2015.

Both Executive Directors have shareholdings substantially in excess of the Company's minimum shareholding requirements which are currently 200% of base salary for the Chief Executive Officer and 150% for the Chief Financial Officer.

#### Shareholding requirements as % of salary

##### Wayne Sheppard



##### Kevin Sims



The number of shares of the Company in which current Directors had a beneficial interest as at 31 December 2015 are set out in detail on page 76.



# Directors' Remuneration Report

continued







## 2016 financial year:

### Our proposed Remuneration Policy for implementation in 2016

On the IPO, the remuneration arrangements for the Group were updated to reflect the Group's new public status and to align with Group strategy as it transitioned into a listed environment as a FTSE 250 company, as outlined in the IPO prospectus.

The Remuneration Committee has reviewed and considered the key components of remuneration since the IPO to ensure that the proposed Remuneration Policy is fit-for-purpose and aligned with the expectations of a listed Company.

Our proposed Remuneration Policy (summarised below) has been designed to align remuneration of our Executive Directors with Group strategy and to drive continued success within a remuneration framework that meets the shareholder and governance expectations of a FTSE 250 company.

	Key elements and time period						Overview of Remuneration Policy for 2016
	Year	+1	+2	+3	+4	+5	
<b>Base salary</b> 							For 2016 base salaries for the CEO and CFO will be £425,000 and £290,000 respectively. The Executive Directors' Service Agreements specify that a base salary review will take place with effect from 1 January 2016 and each anniversary thereafter. Both Executive Directors declined a January 2016 review and any further review until 1 January 2017.
<b>Pension</b> 							The maximum contribution into the defined contribution plan or a salary supplement in lieu of pension will be 20% of gross basic salary.
<b>Benefits</b> 							Standard benefits will be provided. See Remuneration Policy for further details.
<b>Annual and Deferred Bonus Plan ("ABP")</b>							The Committee can determine the proportion of the bonus earned under the ABP provided as an award of deferred shares.
Cash 							For 2016 the maximum bonus opportunity will be 125% of salary for the CEO and CFO.
Deferred award 							The performance conditions and their weightings for the 2016 annual bonus are as follows: <ul style="list-style-type: none"> <li>Adjusted EBITDA (20%);</li> <li>Adjusted Operating Cash Flow (20%);</li> <li>ROCE (20%);</li> <li>NPS (Net Promotor Score) (10%);</li> <li>LTAs (Lost Time Accidents) (10%); and</li> <li>Personal objectives (20%).</li> </ul>
<b>LTIP</b> 							The level of deferral in shares will be one-third of the bonus earned. <ul style="list-style-type: none"> <li>The performance conditions for awards will be equally weighted between Adjusted Earnings per Share ("EPS") growth and comparative Total Shareholder Return ("TSR") assessed over a three-year performance period.</li> <li>For the achievement of threshold performance, 25% of the element will vest with straight line vesting in between to maximum performance.</li> <li>In 2016 the maximum annual LTIP award of 100% of salary will be awarded to the CEO and CFO.</li> <li>The Committee is in the process of determining the targets in respect of the above performance conditions for the first LTIP grant at the date of this report. The detail of the performance targets will be disclosed at the date of grant.</li> </ul>

The Committee proposes to implement the policy for the 2016 financial year, subject to shareholder approval at our 2016 AGM. Further details of the Remuneration Policy and how our proposed Remuneration Policy aligns to Group strategy is set out in the following section.

## Part A – Directors’ Remuneration Policy

### Introduction

In accordance with the remuneration reporting regulations, the Directors’ Remuneration Policy (the “Policy”) as set out below will become formally effective at the AGM on 26 May 2016 on the basis of shareholder approval and will apply for the period of three years from the date of approval.

The Company’s core principles of remuneration are:

- to ensure top executives are attracted, retained and motivated to drive the Company in its next stage of development post-IPO;
- to incentivise management in extending the Company’s position in the building products industry; and
- to deliver long-term sustainable growth.

The Committee will review annually all elements of the remuneration including the base salary, annual bonus levels, proportion of bonus to be deferred in shares and the annual and long-term incentive performance conditions for the Executive Directors and the selected members of the senior management team drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- our business strategy;
- overall Ibstock performance;
- market conditions;
- views of key stakeholders of the business;
- corporate governance considerations; and
- changing views of institutional shareholders and their representative bodies.

### Our Remuneration Policy and its link to our Group strategy

The Group’s strategy is laid out on pages 22 to 23.

Ensuring the alignment of the proposed Remuneration Policy to the Company strategy was key for the Remuneration Committee in developing the proposed Policy below. 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.

# Directors' Remuneration Report

continued

Remuneration Policy (from the date of shareholder approval)	Strategic priorities					Equity ownership and retention of shares	Retain and reward Executive team to deliver the strategy
	Invest in new capacity and optimise output to take advantage of structural imbalances in the Group's market	Penetrate markets further through innovative products	Evaluate opportunities to expand existing product portfolio either through organic investment or acquisitions	Continuing to focus on a safe working environment that has the development of employees and customer service at its core			
<b>Annual bonus metrics</b> The maximum bonus (including any part of the bonus deferred into an ABP Award) deliverable under the ABP will not exceed 125% of a participant's annual base salary.	 ROCE, Adjusted EBITDA, Adjusted Cash Flow <ul style="list-style-type: none"> <li>The success in maximising operational excellence will be reflected through increased profitability and cash flow and the efficiency of any investment made through ROCE measurement.</li> </ul>	 ROCE, Adjusted EBITDA, Adjusted Cash Flow, NPS <ul style="list-style-type: none"> <li>The efficient development of innovative products measured through ROCE and NPS performance will be reflected in increased profitability and cash flow.</li> </ul>	 ROCE, Adjusted EBITDA, Adjusted Cash Flow <ul style="list-style-type: none"> <li>An incentive to grow in the core markets is provided through the Adjusted EBITDA and Adjusted Cash flow targets.</li> </ul>	 NPS and LTA <ul style="list-style-type: none"> <li>These measures target customer satisfaction and health and safety in the workplace and therefore support this objective.</li> </ul>			
<b>LTIP metrics</b> Maximum annual award is normally 100% of salary.  Awards will vest at the end of three years.  For 2016 the performance conditions for awards are equally weighted between: <ul style="list-style-type: none"> <li>Adjusted Earnings per Share growth; and</li> <li>comparative Total Shareholder Return ("TSR").</li> </ul>	 Adjusted EPS, TSR <ul style="list-style-type: none"> <li>The success in maximising operational excellence will be measured through the long-term Adjusted EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company which will be measured through the Company's TSR performance under the LTIP.</li> </ul>	 TSR <ul style="list-style-type: none"> <li>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 (a performance condition under the LTIP).</li> </ul>	 Adjusted EPS <ul style="list-style-type: none"> <li>An incentive to grow this market in the longer term is provided through Adjusted EPS growth targeted by the LTIP. The success of this element of the strategy should be reflected in long-term TSR performance.</li> </ul>				
<b>Share Incentive Plan ("SIP")*</b>							
<b>The Sharesave Plan</b>							
<b>Minimum shareholding requirements</b> <ul style="list-style-type: none"> <li>Chief Executive Officer 200% of salary</li> <li>Chief Financial Officer 150% of salary</li> </ul>							

\* See Note 25c (v) on page 120.



## Remuneration Policy table

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Maximum opportunity
<b>Base salary</b>	Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	<p>An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> <li>remuneration practices within the Group;</li> <li>the general performance of the Group;</li> <li>salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking;</li> <li>any change in scope, role and responsibilities; and</li> <li>the economic environment.</li> </ul> <p>Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.</p>	<p>The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Ibstock, validated against companies operating in a similar sector.</p> <p>The companies in the comparator group are organisations in the FTSE 250 excluding financial services, real estate and equity investment trusts.</p> <p>The Committee intends to review the comparator groups each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be in the section headed Implementation of Remuneration Policy, in the following financial year.</p> <p>In general, salary increases for Executive Directors will be in line with the increase for employees.</p> <p>The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors (see page 60).</p>
<b>Benefits</b>	Provides a benefits package in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	<p>The Executive Directors receive a company car or car allowance, private health cover, death in service cover and income protection.</p> <p>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>	See description of benefits in the previous column.

# Directors' Remuneration Report

continued

## Remuneration Policy table continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Maximum opportunity
<b>Pensions</b>	Provides a pension provision in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	<p>The Company operates a defined benefit (DB) pension scheme, which is closed to new members and a defined contribution (DC) scheme in the UK.</p> <p>Where the Executive Director is in the DB scheme, they are entitled to receive, in addition, annually a cash lump sum payment equal to 20% of the difference between the pensions earnings cap and actual salary.</p> <p>In the event that any Executive Director ceases to be a member of the Ibstock Pension Scheme (defined benefit scheme) they will be entitled to receive a maximum employer contribution into the defined contribution scheme or a salary supplement in lieu of pension of 20% of his basic salary per annum.</p>	<p>The maximum contribution into the defined contribution plan or a salary supplement in lieu of pension will be 20% of gross basic salary.</p> <p>The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the pension contributions for that year for each of the Executive Directors (see pages 60 and 75).</p>

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
<p><b>Annual and Deferred Bonus Plan ("ABP")</b></p>	<p>The ABP 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.</p> <p>In particular, the ABP supports the Company's objectives allowing the setting of annual targets based on the businesses' strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable.</p> <p>The Committee has discretion to defer part of the annual bonus earned in shares under the ABP. The advantage of deferral is:</p> <ul style="list-style-type: none"> <li>increased alignment between Executives and shareholders created through deferral and the increased equity stake of management in the Company; and</li> <li>amounts deferred in shares are subject to a Director's continuing employment, which provides an effective lock-in.</li> </ul>	<p>The maximum bonus (including any part of the bonus deferred into an ABP Award) deliverable under the ABP will not exceed 125% of a participant's annual base salary.</p> <p>The Board will determine the bonus to be delivered following the end of the relevant financial year.</p> <p>The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year (see page 60).</p> <p>Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration.</p> <p>The Committee can determine that part of the bonus earned under the ABP is provided as an award of deferred shares.</p> <p>The maximum value of deferred shares is 50% of the bonus earned.</p> <p>The main terms of these awards are:</p> <ul style="list-style-type: none"> <li>minimum deferral period of three years, during which no performance conditions will apply; and</li> <li>the participant's continued employment at the end of the deferral period.</li> </ul> <p>The Committee may award dividend equivalents on those shares to plan participants to the extent that they vest.</p> <p>The Committee has the discretion to apply a holding period of two years post-vesting for deferred bonus shares.</p>	<p>Percentage of bonus maximum earned for levels of performance:</p> <ul style="list-style-type: none"> <li>Threshold: 0%</li> <li>On-target: 50%</li> <li>Maximum: 100%</li> </ul> <p>The annual bonus will be paid in cash and deferred shares.</p>	<p>An award under the ABP is subject to satisfying financial and strategic/operational performance/personal performance conditions and targets measured over a period of one financial year.</p> <p>A minimum of 50% of the targets shall be financial. The Board will determine the bonus to be delivered following the end of the relevant financial year.</p> <p>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 ABP in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus.</p> <p>In exceptional circumstances the Committee retains the discretion to:</p> <ul style="list-style-type: none"> <li>change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and</li> <li>make downward or upward movements to the amount of bonus earned resulting from the application of the performance measures, if the Committee believe that the bonus outcomes are not a fair and accurate reflection of business performance.</li> </ul> <p>Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report.</p> <p>The ABP contains clawback and malus provisions.</p>



# Directors' Remuneration Report

continued

## Remuneration Policy table continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
<b>Long-Term Incentive Plan ("LTIP")</b>	<p>The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group Strategy.</p> <p>This will better align Executive Directors' interests with the long-term interests of the Group and act as a retention mechanism.</p> <p>The use of comparative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return.</p> <p>The use of Adjusted EPS ensures Executive Directors are focused on long-term financial performance to ensure this flows through to long-term sustainable Adjusted EPS growth.</p>	<p>Awards are granted annually to Executive Directors in the form of a conditional share award, nil cost option or restricted share award.</p> <p>Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of Remuneration Policy, in the future financial year (see page 60).</p> <p>These will vest at the end of a three-year period subject to:</p> <ul style="list-style-type: none"> <li>the Executive Director's continued employment at the date of vesting; and</li> <li>satisfaction of the performance conditions.</li> </ul> <p>The Committee may award dividend equivalents on awards to the extent that these vest.</p> <p>The Committee has the discretion to apply a holding period of two years post-vesting for the LTIP.</p>	<p>Normal maximum value of 100% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the LTIP.</p> <p>In exceptional circumstances the Committee may grant an award with a maximum of 150% of salary.</p> <p>25% of the award will vest for threshold performance.</p> <p>100% of the award will vest for maximum performance. There is straight line vesting between these points.</p>	<p>The performance conditions for the 2016 LTIP awards are Adjusted EPS growth and comparative TSR.</p> <p>The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.</p> <p>No material change will be made to the type of performance conditions without prior shareholder consultation.</p> <p>In exceptional circumstances the Committee retains the discretion to:</p> <ul style="list-style-type: none"> <li>vary, substitute or waive the performance conditions applying to LTIP Awards if the Board considers it appropriate and that the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions;</li> <li>make downward or upward movements in the vesting of the LTIP resulting from the application of the performance measures if the Committee believe that the outcomes are not a fair and accurate reflection of business performance.</li> </ul> <p>The LTIP contains clawback and malus provisions.</p>
<b>Share Incentive Plan ("SIP")</b>	<p>The SIP is an all-employee share ownership plan which has been designed to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.</p>	<p>The Company operates a SIP in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff).</p> <p>The Executive Directors shall be entitled to participate in any other all employee arrangement implemented by the Company.</p>	<p>The maximums set by legislation from time to time.</p>	<p>The Company in accordance with the legislation may impose objective conditions on participation in the SIP for employees.</p>
<b>The Sharesave Plan</b>	<p>The Sharesave Plan is an all-employee savings related share option plan which has been designed to enable UK employees to acquire an interest in the Company and thus align their interests with shareholders.</p>	<p>The Company operates a Sharesave Plan in which the Executive Directors are eligible to participate (which is in line with UK legislation and is open to all eligible staff).</p>	<p>The maximums set by the UK legislation from time to time.</p>	<p>The Company in accordance with the legislation may impose objective conditions on participation in the Sharesave Plan for employees.</p>

**Minimum shareholding requirement**

The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.

The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (percentage of salary)
Group Chief Executive Officer	200%
Group Chief Financial Officer	150%

The Committee retains the discretion to increase the shareholding requirements.

**Illustrations of the application of the Remuneration Policy**

The charts below illustrate the remuneration that would be paid to each of the Executive Directors, based on salaries at the start of the 2016 financial year, under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. The table below these charts sets out the assumptions used to calculate the elements of remuneration for each of these scenarios. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus (deferred bonus); and (iii) LTIP.

**Executive Directors' performance scenarios****Chief Executive Officer  
Wayne Sheppard**

Minimum	100%	£553,874		
On-target	53%	26%	21%	£1,031,999
Maximum	37%	35%	28%	£1,510,124

**Chief Financial Officer  
Kevin Sims**

Minimum	100%	£378,467		
On-target	53%	26%	21%	£704,717
Maximum	37%	35%	28%	£1,030,967

● Fixed elements ● Bonus ● LTIP

Element	Description	Minimum	On-target	Maximum
<b>Fixed</b>	Salary, benefits <sup>1</sup> and pension <sup>2</sup> .	Included.	Included.	Included.
<b>Annual bonus</b>	Annual bonus (including deferred shares). Maximum opportunity of 125% of salary.	No annual variable.	50% of maximum bonus.	100% of maximum bonus.
<b>LTIP</b>	Award under the LTIP. Maximum annual award of 100% of salary.	No multiple year variable.	50% of the maximum award.	100% of the maximum award.

## Notes:

- Based on 2015 benefits payments and pension values as per the Single total figure of remuneration table. The actual benefits and pension contributions for 2016 will only be known at the end of the financial year.
- See page 74 for the Single total figure of remuneration table and the accompanying notes.
- In accordance with the regulations share price growth has not been included. In addition, dividend equivalents have not been added to the deferred share bonus and LTIP share awards.

# Directors' Remuneration Report

continued

## Pay at risk

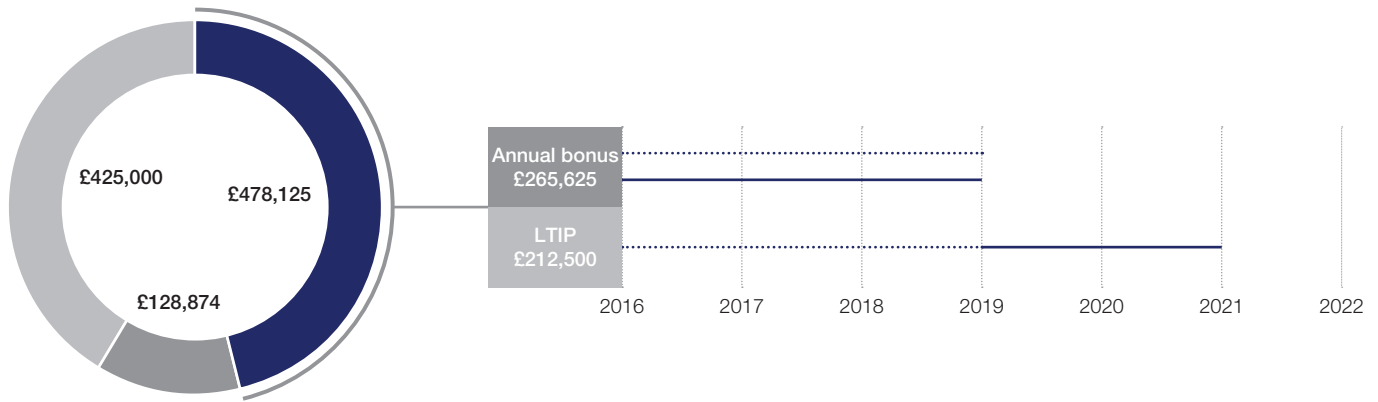
The charts below set out the single figure of each Executive Director based on whether the elements remain "at risk". For example:

- payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- performance conditions have still to be satisfied (LTIP awards); or
- elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting; further details of what triggers clawback or malus are set out below.

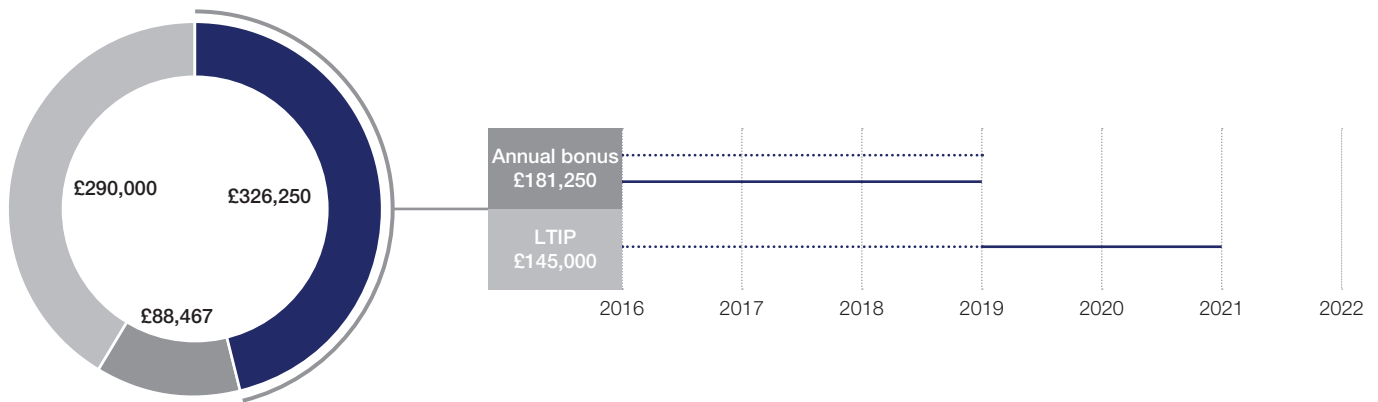
Figures have been calculated based on on-target performance (fixed elements plus 50% of maximum annual bonus and 50% of the maximum LTIP). The charts have been based on the same assumptions as set out above for the illustrations of the application of the Remuneration Policy.

## Pay at risk

Chief Executive Officer  
Wayne Sheppard



Chief Financial Officer  
Kevin Sims



● At risk ● Pension and benefits ● Salary      ..... Subject to malus — Subject to clawback

## Malus and clawback

The ABP and the LTIP include best practice malus and clawback provisions.

Malus is the adjustment of unpaid bonus and deferred share awards under the ABP and outstanding LTIP awards as a result of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments or vested awards under the ABP and vested LTIP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.



The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of an ABP and LTIP Award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the cash payment under the ABP or the number of shares subject to an ABP or LTIP Award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	Annual bonus	Deferred bonus	Long-Term Incentive Plan
Malus	Up to the date of payment of a cash bonus	To the end of the 3-year deferral period	To the end of the 3-year vesting period
Clawback	3 years post the bonus determination	n/a	2 years post-vesting

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

### Discretion

The Committee has discretion in several areas of policy as set out in this report.

The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

It is the Committee's intention that commitments made in line with its policies prior to Admission will be honoured, even if satisfaction of such commitments is made post the Company's first AGM following Admission and may be inconsistent with policy.

### Recruitment policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table above. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award.

The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
<b>Salary, benefits and pension</b>	These will be set in line with the policy for existing Executive Directors.
<b>Annual bonus</b>	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 125% of salary.
<b>LTIP</b>	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 100% of salary in normal circumstances and 150% of salary in exceptional circumstances.
<b>Maximum variable remuneration</b>	The maximum variable remuneration which may be granted in normal circumstances is 225% of salary (275% of salary if the maximum LTIP grant is made).
<b>"Buyout" of incentives forfeited on cessation of employment</b>	<p>Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> <li>• the proportion of the performance period completed on the date of the Executive Director's cessation of employment;</li> <li>• the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and</li> <li>• any other terms and conditions having a material effect on their value ("lapsed value").</li> </ul> <p>The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.</p>

# Directors' Remuneration Report

continued

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

## Payment for loss of office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Remuneration element	Treatment on cessation of employment		
<b>Salary, benefits and pension</b>	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.		
	Good leaver reason <sup>1</sup>	Other reason	Discretion
<b>ABP cash awards</b>	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for year of cessation.	The Committee has the following elements of discretion: <ul style="list-style-type: none"> <li>to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and</li> <li>to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul>
<b>ABP share awards</b>	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: <ul style="list-style-type: none"> <li>to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;</li> <li>to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and</li> <li>to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.</li> </ul>

	Good leaver reason <sup>1</sup>	Other reason	Discretion
<b>LTIP</b>	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Committee has the following elements of discretion: <ul style="list-style-type: none"> <li>to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;</li> <li>to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and</li> <li>to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul>
<b>Other contractual obligations</b>	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

1. A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

### Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Name of incentive plan	Change of control	Discretion
<b>ABP cash awards</b>	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
<b>ABP share awards</b>	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
<b>LTIP</b>	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee will determine the proportion of the LTIP Award which vests taking into account, among other factors, the period of time the LTIP Award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time.



# Directors' Remuneration Report

continued

## Non-Executive Director remuneration

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity	Performance metrics
<b>Non-Executive Director and Chairman fees</b>	Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chairman with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	<p>The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees.</p> <p>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.</p> <p>Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group.</p> <p>Non-Executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements.</p>	<p>The fees for Non-Executive Directors and the Chairman are set at broadly the median of the comparator group.</p> <p>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.</p> <p>The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.</p>	None.

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

### Executive Directors

Name	Date of service contract	Nature of contract	Notice periods		Compensation provisions for early termination
			From Company	From Director	
Wayne Sheppard	22 October 2015	Rolling	12 months	12 months	None
Kevin Sims	22 October 2015	Rolling	12 months	12 months	None

### Non-Executive Directors

Name	Date of letter of appointment
Jamie Pike	22 September 2015
Jonathan Nicholls	22 September 2015
Lynn Minella	3 February 2016
Tracey Graham	3 February 2016
Michel Plantevin	22 October 2015
Matthias Boyer Chamard	22 October 2015

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. 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 will be put forward for re-election by shareholders on an annual basis.

### Statement of considerations of employment conditions elsewhere in the Company

The Remuneration Policy for all employees is determined in terms of best practice and ensuring that the Company is able to attract and retain the best people. This principle is followed in the development of our Policy.

The remuneration strategy of the Company has been designed to ensure all employees share in its success through performance-related remuneration and share ownership. On IPO a number of new remuneration arrangements were introduced; the LTIP for Executive Directors and other selected members of the senior management team and a Share Option Plan for selected Senior Managers. Awards under both these Plans will provide alignment between senior leaders and our shareholders based on overall corporate performance of the business.

For all employees, the Company has adopted an SAYE Scheme and Share Incentive Plan (with local equivalents in other jurisdictions intended). Under the new Plans, all employees will have the opportunity to purchase shares in the Company subject to certain restrictions.

The Company does not use remuneration comparison measurements nor have employees been consulted directly on the Policy. In setting the Remuneration Policy for Directors, the pay and conditions of other employees of Company are taken into account, including any base salary increases awarded.

The Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors, and uses this information to ensure consistency of approach throughout the Company.

### Link to objectives

The following table demonstrates how key objectives are reflected consistently in plans operating at all levels within the Company.

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

### Statement of consideration of shareholder views

The Committee takes the views of the shareholders seriously and these views are taken into account in shaping Remuneration Policy and practice. Shareholder views are considered when evaluating and setting the remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Remuneration Policy.

The Committee consulted with the Company's key shareholders along with the Investment Association (IA) and the Institutional Shareholder Services (ISS) on the proposed Policy set out in this report.

# Directors' Remuneration Report

continued

## Part B – Annual Report on Remuneration

### 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 2015 financial period from 26 February 2015 to 31 December 2015.

Comparative figures for the 2014 financial year have not been provided as the Company did not exist in this form during the year. Further the Committee does not believe that the remuneration payable in its earlier years as a private company bears comparative value to that which will be paid post-IPO. In the 2016 Remuneration Report comparative information will be provided.

Figures provided have been calculated in accordance with the new 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 <sup>3</sup> £	Bonus <sup>4</sup> £	LTIP <sup>5</sup> £	Pension <sup>6</sup> £	SAYE <sup>7</sup> £	Other <sup>8</sup> £	Total £
Wayne Sheppard (CEO) <sup>9</sup>	2015	279,381 <sup>1</sup>	11,280	252,240	n/a	117,594	4,500	97,932	762,927
Kevin Sims (CFO) <sup>9</sup>	2015	184,259 <sup>2</sup>	9,879	151,167	n/a	78,588	n/a	63,657	487,550

#### Notes:

- Salary of £308,100 from appointment as Executive Director in February 2015 to IPO and £425,000 following the IPO to the end of the financial period. Of this sum, £123,188 related to the period 3 September 2015 to 31 December 2015.
- Salary of £200,265 from appointment as Executive Director in February 2015 to IPO and £290,000 following the IPO to the end of the financial period. Of this sum, £82,747 related to the period 3 September 2015 to 31 December 2015.
- See section below setting out details of the benefits provided. The amounts shown above include £4,344 and £3,804 for Wayne Sheppard and Kevin Sims, respectively, in respect of the period 3 September 2015 to 31 December 2015.
- Details of the bonus targets, their level of satisfaction and the resulting bonus earned is set out below. The amounts shown above include £127,649 and £83,681 for Wayne Sheppard and Kevin Sims, respectively, in respect of the period 3 September 2015 to 31 December 2015. No deferral of bonus was applicable in 2015.
- No LTIP award was made in 2015. The first grant of LTIP awards will be made in 2016.
- Comprises of the value of DB accruals and salary supplements in lieu of pension. See note on following page for further details. The amounts shown above include £45,287 and £30,265 for Wayne Sheppard and Kevin Sims, respectively, in respect of the period 3 September 2015 to 31 December 2015.
- SAYE grants made during the period under the Ibstock plc Sharesave Plan. 11,842 SAYE options granted on 9 December 2015 with an exercise price of 152 pence (awarded at a discount of 20% to the IPO offer price of 190 pence).
- Contractual payment for retention of services.
- Wayne Sheppard and Kevin Sims owned ordinary shares immediately prior to the IPO offer of 13,227,213 and 8,597,688, respectively.

### Taxable benefits (Audited)

Benefits in the period comprised of a company car allowance, fuel allowance and private medical insurance.

### Bonus (Audited)

In respect of the 2015 financial period, the bonus awards payable to Executive Directors were agreed by the Committee having reviewed the Company's results. Details of the targets used to determine bonuses in respect of the 2015 financial period 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	Bonus value achieved <sup>1</sup>	
						Wayne Sheppard <sup>2</sup>	Kevin Sims <sup>3</sup>
Adjusted EBITDA	33%	£68.2m	£85.3m	£107.0m	100%	£84,080	£50,389
Adjusted Operating Cash Flow	33%	£39.3m	£52.6m	£119.3m	100%	£84,080	£50,389
Personal objectives	33%	See following page – objectives outlined met in full for 2015			100%	£84,080	£50,389
<b>Total</b>	<b>100%</b>				<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total £</b>	<b>100%</b>				<b>100%</b>	<b>£252,240</b>	<b>£151,167</b>

#### Notes:

- Under the terms of the 2015 ABP, 0% for each element is payable for achieving the threshold performance increasing to 100% for achieving maximum performance. Achievements between these points are calculated on a straight line basis.
- Bonus opportunity of 60% of salary pre-IPO and 125% of salary post-IPO. Bonus payment based on base salary of £308,100 pre-IPO and £425,000 following the IPO.
- Bonus opportunity of 50% of salary pre-IPO and 125% of salary post-IPO. Bonus payment based on base salary of £200,265 pre-IPO and £290,000 following the IPO.



**Personal objectives for the CEO and CFO for 2015:**

Name	Personal objectives
<b>Wayne Sheppard</b>	<ul style="list-style-type: none"> <li>• Strategic operational objectives and delivery of key projects</li> <li>• Development of strategic plans for divisional operations</li> <li>• Succession planning for the Senior Executive Team</li> <li>• Successful completion of the IPO</li> </ul>
<b>Kevin Sims</b>	<ul style="list-style-type: none"> <li>• Lead and deliver the implementation of a key internal systems project</li> <li>• Successful financial compliance and risk management</li> <li>• Strategic operational review of the Finance function and delivery of key projects</li> <li>• Successful completion of the IPO</li> </ul>

The Remuneration Committee discussed the above personal objectives with the Chairman in respect of the CEO, and the CEO in respect of the CFO. Following this feedback and an evaluation of the performance against the objectives the Committee determined that they had been met for both Executive Directors and therefore the maximum under this element of the bonus was earned.

No discretion was exercised by the Committee in relation to the outcome of the bonus awards.

**Long-term incentives awarded in 2015**

No awards were made under the LTIP in 2015. The Committee is intending to grant the first LTIP awards in 2016.

**Pension entitlements (Audited)**

The following table provides the information required by the Regulations and gives details for each Executive Director of:

- the annual accrued pension payable on retirement calculated as if he/she had left service at the year-end;
- the normal retirement ages;
- the value of the pension benefits at the start and end of the year;
- the value of the pension benefits earned over the year, excluding any Director's contributions and any increases for inflation; and
- any payments in lieu of retirement benefits.

None of the Executive Directors has made additional voluntary contributions.

	Age at 31/12/2015	Pensionable service at 31/12/2015	Accrued pension		Single figure numbers			Extra information disclosed under 2013 Directors' Remuneration Regulations	
			26/02/2015	31/12/2015	Salary supplement	Value x 20 over year (net of Director's contribution)	Total pension benefits	Normal retirement age	
<b>Executive Directors</b>									
Wayne Sheppard	56	22	£85,157	£89,393	£32,874	£84,720	£117,594	60	
Kevin Sims	54	29	£64,448	£67,317	£21,208	£57,380	£78,588	60	

**Non-Executive Directors (Audited)**

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director. For similar reasons to the above no comparative information has been provided for 2014. In the 2016 Remuneration Report comparative information will be provided.

Non-Executive Directors	2015 fees	Roles
Jamie Pike	£57,211	Independent Non-Executive Chairman
Jonathan Nicholls	£19,038	Senior Independent Non-Executive Director
Lynn Minella	n/a	Non-Executive Director – appointed in 2016
Tracey Graham	n/a	Non-Executive Director – appointed in 2016
Michel Plantevin <sup>1</sup>	£0	Non-Executive Director
Matthias Boyer Chammard <sup>1</sup>	£0	Non-Executive Director

Note:

1. Michel Plantevin and Matthias Boyer Chammard represent one of the Company's shareholders and are not remunerated by the Company.

**Annual fees**

	2016 annual fee
Chairman	£175,000
Board fee (including committee membership)	£50,000
Committee Chairmanship (per committee)	£10,000

# Directors' Remuneration Report

continued

## Payments to past Directors/payments for loss of office (Audited)

There were no payments in the financial period.

## Statement of Directors' shareholding and share interests (Audited)

Director	Shareholding requirement (% salary)	Current shareholding (% salary) <sup>1</sup>	Shares held directly		Other shares held	Options		Outstanding SAYE awards	Shareholding requirement met?
			Beneficially owned	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested	Unvested		
<b>Executive Directors</b>									
Wayne Sheppard	200%	5,907%	11,307,827	n/a	–	n/a	n/a	11,842	Yes
Kevin Sims	150%	5,627%	7,350,087	n/a	–	n/a	n/a	–	Yes
<b>Non-Executive Directors</b>									
Jamie Pike	n/a	–	26,000	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Nicholls	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lynn Minella	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tracey Graham	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michel Plantevin	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Matthias Boyer Chamnard	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a

### Notes:

- As at 31 December 2015. This is based on a closing share price of £2.221 at 31 December 2015 and the year-end salaries of the Executive Directors. Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
- SAYE grants made during the year under the Ibstock plc Sharesave Plan. Awards granted on 9 December 2015 with an exercise price of 152 pence (awarded at a discount of 20% to the IPO offer price of 190 pence). The SAYE options are first exercisable on 1 February 2019.

## Fees retained for external Non-Executive Directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees.

Wayne Sheppard is Principal of the Construction Products Association, a Director of the British Ceramic Confederation, and a Director of the Brick Development Association. He receives no fees for these appointments. Kevin Sims does not hold any external directorships.

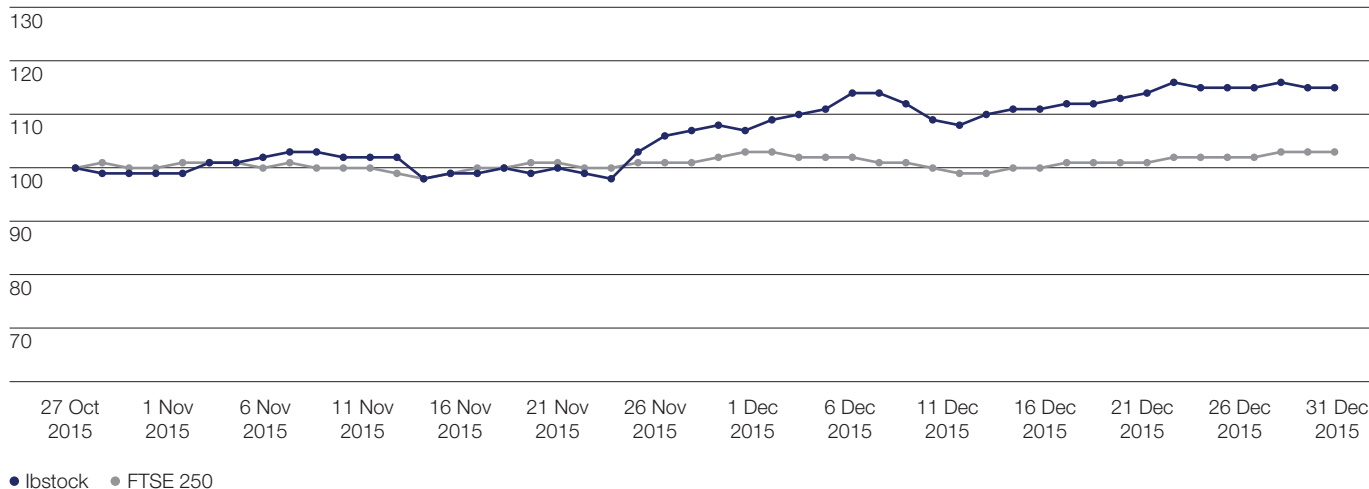
### Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index. The graph shows the Total Shareholder Return generated by both the movement in share value and the 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 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 2015.

### Total Shareholder Return

£100 invested in the Company's shares since listing compared with the FTSE 250 index



### Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the period 26 February 2015 to 31 December 2015 valued using the methodology applied to the single total figure of remuneration.

The Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that which will be paid post-IPO, therefore the Remuneration Committee has chosen to disclose remuneration only for the 2015 financial period. In the 2016 Remuneration Report comparative information will be provided.

Chief Executive Officer	2015
Single total figure	£762,927
Annual bonus payment level achieved (% of maximum opportunity)	100%
LTIP vesting level achieved (% of maximum opportunity)	n/a

Note:

No award has currently been made under the LTIP which was adopted on IPO.

### Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2015 financial period. The Company did not exist in its current form in 2014 and therefore there are no relevant comparators for 2014. All figures provided are taken from the relevant Company Accounts. In the 2016 Remuneration Report comparative information will be provided.

	Disbursements from profit in 2015 financial year (£m)
Profit distributed by way of dividend	0
Overall spend on pay including Executive Directors	75.2



# Directors' Remuneration Report

continued

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

The Company cannot provide this information for 2014 as it did not exist in its current form nor were the current Executive Directors employed by the Company. In the 2016 Remuneration Report comparative information will be provided.

## Statement of implementation of the remuneration policy in financial year 2016

See table on page 60.

## 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. Prior to the establishment of the Remuneration Committee, remuneration decisions were made by the Board of the Company. The Company consults with key shareholders in respect of Remuneration Policy and the introduction of new incentive arrangements.

The terms of reference for the Committee are available on the Company's website, [www.ibstockplc.com/investors](http://www.ibstockplc.com/investors), and from the Company Secretary at the registered office.

Our main responsibilities are:

- To determine and agree with the Board the broad Remuneration Policy for the Executive Directors and other selected members of the senior management team;
- To review the ongoing appropriateness and relevance of the Remuneration 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 the Group HR Director and Company Secretary, who will attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Chief Executive Officer and Chief Financial Officer 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 period, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and selected members of the senior management team. PwC also provided the Company with tax and accountancy advice during the period, including support of the IPO. 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. Fixed fees of £12,000 (2014: none) were provided to PwC during the period in respect of remuneration advice received.

## Statement of voting at general meeting

The 2016 AGM will be the first AGM of the Company and therefore there is no historic voting information.

**Lynn Minella**  
**Chair of the Remuneration Committee**  
 10 March 2016

# Directors' Report

The Directors present their report for the financial period ended 31 December 2015.

## Cautionary statement

This Annual Report 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 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 the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

## Corporate Governance Statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the Disclosure and Transparency Rules can be found in the corporate governance information on pages 42 to 78 (all of which forms part of this Directors' Report) and in this Directors' Report.

## Information included in Strategic Report

The Company's Strategic Report is on pages 1 to 41 and includes the following information that would otherwise be required to be disclosed in this Directors' Report:

Subject matter	Page reference
Important events since the financial period end	41
Likely future developments in the business	11,22,23
Research and development	29
Employment of disabled persons	27
Employee involvement	28
Disclosures concerning greenhouse gas emissions	29

## Disclosure of information under LR 9.8.4R

The information that fulfils the reporting requirements relating to the following matters can be found on the pages identified.

Subject matter	Page reference
Information about the relationship agreement with Diamond (BC) S.à r.l.	47

## Dividends

Subject to shareholder approval, the Directors have proposed a final dividend for the financial period ended 31 December 2015 of 4.4 pence per ordinary share.

## Directors

The names of the Directors who served during the period and up to the date of this report are on pages 42 to 43. Of those Directors, Tracey Graham and Lynn Minella have been appointed as Non-Executive Directors of the Company since the year-end. Details of the Directors' interests in the share capital of the Company are set out in the Directors' Remuneration Report on page 76.

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 in Note 22 to the consolidated financial statements. The rights attaching to the shares are set out in the Articles of Association.

Diamond (BC) S.à r.l. has entered into a lock-up period of 180 days from Admission and the Company's Directors and certain of the Company's senior managers have entered into a lock-up period of 365 days from Admission. During the lock-up periods, Diamond (BC) S.à r.l., the Directors and the relevant senior managers agree not to dispose of any securities held in the Company. All lock-up arrangements are subject to customary exceptions. There have been no movements in the Directors' shareholdings post the year-end.

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.

## Purchase of own shares

At the general meeting held prior to Admission, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 10% of the Company's issued share capital. No shares have been purchased under this authority since Admission. The Directors are seeking renewal of the authority at the AGM 2016, in accordance with relevant institutional guidelines.

## Substantial shareholdings

As at 31 December 2015, the Company had been notified, in accordance with the Disclosure 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
Diamond (BC) S.à r.l.	190,700,435	47.03%	Direct

In addition to the above holding, the Company is aware of 32,885,824 shares (8.11%) held by The Bank of New York (Nominees) Limited UK REITS account.

# Directors' Report

continued

In the period from 31 December 2015 to the date of this report, no further notifications were received.

Information provided to the Company under the Disclosure 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 share plans vest and become exercisable, to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable), 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.

## 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 36 to 37. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 79 to 80. In addition, Note 21 to the financial statements includes the Company'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. As a result it believes its trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

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 of its financial statements is appropriate.

## Viability Statement

The Group's Viability Statement is set out on page 35.

## 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 unaware; 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' Responsibility Statement is included on page 51.

## 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 up to the date of this Annual Report.

## Financial instruments

Details of the financial instruments used by the Group are set out in Note 21 to the Group financial statements, which are incorporated into this Report of the Directors by reference. The Group's financial risk management objectives and policies are included in the Risk management overview on pages 30 to 35, and in Note 21 of the Group financial statements.

## Political donations

No political donations were made during the period ended 31 December 2015.

## Annual General Meeting 2016

The Annual General Meeting will be held on 26 May 2016, at 2:00 p.m. at the Mercure Leicester The Grand Hotel, Granby Street, Leicester LE1 6ES. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for exercising voting rights is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report.

The Company's Articles of Association require that a Director shall retire from office if he or she has been appointed since the previous Annual General Meeting or if it is the third Annual General Meeting following that at which he or she was elected or last re-elected. However, in accordance with the UK Corporate Governance Code the Directors will all retire and will offer themselves for election or re-election at the forthcoming Annual General Meeting. The Chairman has confirmed that the performance of all of the Directors continues to be effective and to demonstrate their commitment to the role.

On behalf of the Board

**Robert Douglas**  
Company Secretary

10 March 2016



# Independent Auditor's Report to the Members of Ibstock plc

## Our opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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.

## What we have audited

Ibstock plc's financial statements as at 31 December 2015 and for the period then ended comprise:

Group	Parent Company
Consolidated balance sheet	Company balance sheet
Consolidated income statement	Statement of changes in equity
Consolidated statement of comprehensive income	Statement of cash flow
Consolidated statement of changes in equity	Related notes 1 to 14 to the financial statements
Consolidated cash flow statement	
Related notes 1 to 31 to the financial statements	

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

## Overview of our audit approach

Risks of material misstatement	<ul style="list-style-type: none"> <li>• Revenue recognition and accounting for customer rebates.</li> <li>• Accounting for pension liabilities.</li> <li>• Acquisition accounting.</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>• We performed a full scope audit of the complete financial information of all four trading components and the head office entities.</li> <li>• The full scope audit procedures accounted for 100% of each of Revenue, Earnings before interest, tax, depreciation and amortisation and before exceptional items ('EBITDA before exceptional items'), Profit before tax and Total assets.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Group materiality of £2.0m which represents 2% of EBITDA before exceptional items.</li> </ul>

# Independent Auditor's Report to the Members of Ibstock plc

continued

## Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Revenue recognition (£358.3m stated net of rebates for the period) and accounting for customer rebates</b></p>	<p>We identified and assessed key controls over the revenue process (i.e., that deliveries are recorded as revenue which are then collected into cash) for Ibstock Brick, Forticrete and Glen-Gery and concluded the controls to be effective. We relied on these controls in our audit approach. We walked through the controls at Supreme to confirm they were designed and operating effectively although we undertook a substantive audit as this approach was deemed to be more efficient.</p>	<p>Our audit procedures did not identify any differences regarding revenue recognition or accounting for rebates.</p>
<p>Refer to the Audit Committee Report (page 53); Accounting policies Note 1; and Note 3 of the Consolidated Financial Statements.</p>	<p>We substantively tested revenue throughout the period by selecting a sample of transactions, including bill and hold transactions at Glen-Gery to ensure they met the IFRS revenue recognition criteria, and traced them to source documentation to ensure they were appropriately recorded.</p>	<p>Our journals testing did not identify any manual adjustments to revenue or inappropriate adjustments to rebates.</p>
<p>Revenue recognition is a significant audit risk across all entities within the Group. Specifically there is a risk of inappropriate revenue recognition if revenue is recorded within the wrong accounting period, if bill and hold transactions (Glen-Gery only) are recognised prematurely or if customer rebates are incorrectly recorded.</p>	<p>We inspected the financial impact of transactions around the period end and tested a sample of these to ensure they were recorded in the correct period.</p>	
	<p>We set expectations of revenue recorded for the period by assessing market expectations (e.g., by using data from the UK Construction Products Association), the budgets of the trading entities and other factors such as contracted changes in sales price and customer rebate agreements in the period. We investigated and corroborated any variances from our expectations.</p>	
	<p>We selected a sample of customer rebate contracts for significant customers, inspected the terms, confirmed the sales data on which the rebate is based and recalculated the rebate.</p>	
	<p>To assess the completeness of rebates, we considered aged debtors, post period end credit notes and reviewed journal postings recorded for evidence of any unrecorded amounts. We also made enquiries of management as to the existence of any other rebate arrangements.</p>	
	<p>We used computer aided audit techniques to review journals for the period to identify for any manual journals resulting in an inappropriate posting to revenue.</p>	
	<p>We reviewed significant manual journals for movements in revenue and rebates around the acquisition date and period end.</p>	
<p><b>Accounting for pension liabilities (£550.5m as at 31 December 2015)</b></p>	<p>We evaluated the output of the actuary used by management by giving due consideration to their competence, experience and independence.</p>	<p>The actuarial assumptions used in the valuation of the period end liabilities are considered to be within an acceptable range.</p>
<p>Refer to the Audit Committee Report (page 53); Accounting policies Note 1; and Note 19 of the Consolidated Financial Statements.</p>	<p>We involved our pension advisory experts to assist us in evaluating the validity of the input assumptions including in respect of the discount rate, inflation rate and mortality assumptions. The assumptions have been assessed with respect to appropriateness of methodologies, market data and consistency with actuarial practice, scheme profile and market developments.</p>	<p>The valuation of pension scheme liabilities and related disclosures (including sensitivities) are appropriate.</p>
<p>As at the period end, the Ibstock Defined Benefit Pension Scheme had a net surplus of £8.4m (restricted to £0.3m) with assets of £558.9m offset by liabilities of £550.5m. The liability component is sensitive to small movements in the input parameter assumptions which could materially change the valuation.</p>	<p>Our analysis produced a 'heat map' of the various assumptions benchmarked against market data which we used to evaluate whether the assumptions were within an acceptable range.</p>	<p>The surplus recognised is calculated in accordance with IFRIC 14.</p>
	<p>We checked participant data to underlying information sources such as the payroll system.</p>	
	<p>We tested the calculation of the recoverable surplus, as prepared by the actuary (management's expert) in accordance with IFRIC 14, by independently modelling the calculation including corroborating the data inputs.</p>	

Risk	Our response to the risk	What we concluded to the Audit Committee
<p><b>Acquisition accounting</b> Refer to the Audit Committee Report (page 53); Accounting policies Note 1; and Note 24 of the Consolidated Financial Statements.</p> <p>During the period a significant business combination occurred with the acquisition of the trading entities prior to the Group's initial public offering ('IPO'). The fair values of assets and liabilities acquired were assessed by management as provisional at the time of the IPO in October 2015.</p> <p>For the period ended 31 December 2015 these have been finalised, resulting in negative goodwill of £124.2m credited to the income statement on acquisition (26 February 2015). Due to the size and nature of the business combination, we consider acquisition accounting to be an area with a higher risk of misstatement.</p>	<p>In conjunction with our valuation experts we performed an assessment of the fair value of assets and liabilities identified at acquisition. We discussed the approach to the determination of fair value of assets and liabilities with management (and their experts) to understand and corroborate their rationale for estimates and judgements used in the calculations. We performed sensitivity testing on these inputs. We ensured the methodology used by management was in line with IFRS 3 Business Combinations.</p> <p>Where management sought to rely on external expert opinions for the fair value recorded we assessed the competence, methodology and independence of the experts and understood how the reports have been used by management in finalising the balances recorded.</p> <p>We corroborated key inputs into the recording of the fair value of intangible assets and property, plant and equipment (e.g., rate of return factors, growth rates, discount rate) and provisions and contingencies (e.g., likelihood of occurrence of claims and timing and magnitude of provisions).</p> <p>Where assets and liabilities acquired have been recorded at existing book value, we considered management's process to ensure the original carrying value is equal to fair value.</p> <p>We discussed with management the changes recorded as part of finalising the fair values and corroborated the assumptions used in determining the revised fair values.</p> <p>We evaluated the disclosure of the business combination and of the exceptional costs to ensure the presentation is in accordance with IFRS and, in respect of exceptional items, whether it followed the guidance provided by the FRC.</p>	<p>We concur with the fair values recorded including the adjustments processed to the provisional amounts recorded in the IPO prospectus. We are satisfied that these updated amounts appropriately reflect the existence and valuation of liabilities at the acquisition date.</p> <p>The disclosures in relation to the acquisition accounting in the consolidated financial statements are appropriate.</p>

## The scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

The Group operates from four trading entities, three in the UK and one in the US. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we performed an audit of the complete financial information ('full scope') of the Istock Brick, Forticrete, Supreme (all located in the UK) and Glen-Gery (located in the US) trading components.

We also performed full scope procedures on the Figgs head office entities, comprising various holding companies in the Group structure (together the 'Figgs companies') because of the acquisition and IPO related transactions recorded in these entities within the period.

As all components were designated full scope in the current period this provides 100% coverage of the Group's Revenue, EBITDA before exceptional items, Profit before tax and Total assets.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the full scope components, audit procedures were performed on Istock Brick by the primary team and three by component teams, being Forticrete, Supreme and Glen-Gery. We determined the appropriate level of primary team involvement in the work of the component team to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

A team planning event was held at which senior audit team members of the primary team and component teams each attended to discuss the key risks and audit approach.

As part of the closing audit procedures, the senior statutory auditor visited the component team in the US. This visit involved discussing the audit approach with the component team including issues arising from their work, reviewing key audit working papers on risk areas, meeting with local management, visiting local manufacturing operations and attending the closing meeting.

The primary team interacted regularly with each of the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. A member of the primary team attended the closing meeting of each of the in scope component audits.

These procedures together with the additional procedures performed at Group level gave us appropriate evidence for our opinion on the consolidated financial statements.



# Independent Auditor's Report to the Members of Ibstock plc

continued

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

## Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.0 million, which is 2% of EBITDA before exceptional items. EBITDA before exceptional items for the period is £102.3m as per Note 3 to the consolidated financial statements. We believe this is the most appropriate measure to demonstrate the underlying operating and profit performance of the Group. This was the metric used in the marketing material for the IPO process and is the metric management use in their presentations to stakeholders.

During the course of our audit, we reassessed initial materiality and there was no change in the final materiality from our original assessment at planning.

## Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, being £1.0m. We have set performance materiality at this percentage as these are the Group's first listed accounts under IFRS.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current period, performance materiality allocated to components was:

• Ibstock Brick	£850,000
• Forticrete	£300,000
• Supreme	£450,000
• Glen-Gery	£450,000
• Figgs companies	£200,000

## Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £100,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### Opinion 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; and
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>• materially inconsistent with the information in the audited financial statements; or</li> <li>• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>• otherwise misleading.</li> </ul> <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.</p>	We have no exceptions to report.
<b>Companies Act 2006 reporting</b>	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>	We have no exceptions to report.
<b>Listing Rules review requirements</b>	<p>We are required to review:</p> <ul style="list-style-type: none"> <li>• the directors' statement, set out on page 51, in relation to going concern set out on page 80, and longer term viability set out on page 35; and</li> <li>• the part of the Corporate Governance Statement relating to the company's compliance with those provisions of the UK Corporate Governance Code specified for our review.</li> </ul>	We have no exceptions to report.

### Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

<b>ISAs (UK and Ireland) reporting</b>	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> <li>• the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;</li> <li>• the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;</li> <li>• the directors' statement in 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 entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and</li> <li>• the directors' explanation in the annual report as to how they have assessed the prospects of the entity, 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 entity 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.</li> </ul>	We have no exceptions to report.
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**Adrian Roberts (Senior statutory auditor)**  
**for and on behalf of Ernst & Young LLP, Statutory Auditor**  
 Birmingham  
 10 March 2016

1. The maintenance and integrity of the Ibstock plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated income statement

	Notes	Period from 28/11/2014 to 31/12/2015 £'000
Revenue	3	358,331
Cost of sales before exceptional items		(213,587)
<b>Gross profit before exceptional items</b>		<b>144,744</b>
Exceptional cost of sales	4	(15,977)
<b>Gross profit</b>		<b>128,767</b>
Distribution costs		(29,265)
Administrative expenses before exceptional items		(36,814)
Exceptional administrative items	4	(24,138)
<b>Administrative expenses</b>		<b>(60,952)</b>
Negative goodwill on acquisition	4/24	124,191
Loss on disposal of property, plant and equipment	5	(1,403)
Other income		2,998
Other expenses		(688)
<b>Operating profit</b>		<b>163,648</b>
Finance costs	7	(69,441)
Finance income	8	498
<b>Net finance cost</b>		<b>(68,943)</b>
<b>Profit before taxation</b>		<b>94,705</b>
Taxation	9	6,869
<b>Profit for the financial period</b>		<b>101,574</b>
<b>Profit attributable to:</b>		
Owners of the parent		101,574
	Notes	pence
<b>Earnings per share (from continuing operations)</b>		
Basic	10	35.2
Diluted	10	35.2

The notes on pages 91 to 123 form an integral part of these consolidated financial statements.

All amounts relate to continuing operations.

**The consolidated income statement includes trading activities from 26 February 2015 following the acquisition of the trading business. Note 24, Business combinations, includes the performance of the Group as if the trading business had been owned for a full 12-month period.**



# Consolidated statement of comprehensive income

	Notes	Period from 28/11/2014 to 31/12/2015 £'000
<b>Profit for the financial period</b>		<b>101,574</b>
<b>Other comprehensive income/(expense):</b>		
<b>Items that will not be reclassified to the profit or loss</b>		
Remeasurement of post-employment benefit assets and obligations	19	<b>11,709</b>
Remeasurement of post-employment benefits – surplus restriction	19	<b>(8,037)</b>
Related tax movements	9/20	<b>(734)</b>
		<b>2,938</b>
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences		<b>1,097</b>
		<b>1,097</b>
<b>Other comprehensive income for the period net of tax</b>		<b>4,035</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>105,609</b>
<b>Profit attributable to:</b>		
Owners of the parent		<b>105,609</b>

The notes on pages 91 to 123 form an integral part of these consolidated financial statements.

<b>Non-GAAP measure</b>		
Reconciliation of EBITDA before exceptional items to Operating profit for the financial period		
	Notes	Period from 28/11/2014 to 31/12/2015
<b>EBITDA before exceptional items</b>		<b>102,299</b>
Add back exceptional items	4	<b>84,076</b>
Less loss on disposal of property, plant and equipment	5	<b>(1,403)</b>
Less depreciation and amortisation	5	<b>(21,324)</b>
<b>Operating profit</b>		<b>163,648</b>

# Consolidated balance sheet

	Notes	31 December 2015 £'000
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	11	127,803
Property, plant and equipment	12	346,885
Post-employment benefit asset	19	331
		<b>475,019</b>
<b>Current assets</b>		
Inventories	13	83,057
Trade and other receivables	14	58,623
Current tax recoverable		918
Cash and cash equivalents	15	51,024
		<b>193,622</b>
<b>Total assets</b>		<b>668,641</b>
<b>Current liabilities</b>		
Trade and other payables	16	(79,236)
Borrowings	18	(14,097)
Provisions	17	(1,291)
		<b>(94,624)</b>
<b>Net current assets</b>		<b>98,998</b>
<b>Total assets less current liabilities</b>		<b>574,017</b>
<b>Non-current liabilities</b>		
Borrowings	18	(181,658)
Post-employment benefit obligations	19	(8,007)
Deferred tax liabilities	20	(54,662)
Provisions	17	(13,182)
		<b>(257,509)</b>
<b>Net assets</b>		<b>316,508</b>
<b>Equity</b>		
Share capital	22	4,055
Share premium	22	–
Retained earnings		679,366
Merger reserve	23	(369,119)
Other reserves	23	1,109
Currency translation reserve	23	1,097
<b>Total equity</b>		<b>316,508</b>

The notes on pages 91 to 123 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 10 March 2016 and were signed on its behalf by:

**W Sheppard**  
Director

**K Sims**  
Director

# Consolidated statement of changes in equity

Notes	Share capital £'000	Share premium £'000	Preference shares recognised as equity £'000	Retained earnings £'000	Merger reserve (see Note 23) £'000	Other reserves (see Note 23) £'000	Currency translation reserve (see Note 23) £'000	Total equity attributable to owners £'000
Profit for the period	-	-	-	101,574	-	-	-	101,574
Other comprehensive income	-	-	-	2,938	-	-	1,097	4,035
<b>Total comprehensive income for the financial period</b>	-	-	-	104,512	-	-	1,097	105,609
<b>Transactions with owners:</b>								
Issues of shares of Figgs Topco Limited on incorporation as at 28 November 2014	10	9,990	-	-	-	-	-	10,000
Figgs Topco Limited shares issued in exchange for shareholder loan notes	-	-	56,078	-	-	-	-	56,078
Issue of Figgs Topco Limited share capital	80	524	-	-	-	-	-	604
Ibstock plc share capital issued on incorporation	22	50	-	-	-	-	-	50
Ibstock plc shares issued in exchange for shares in Figgs Topco Limited	22	482,668	-	-	-	-	-	482,668
Establishment of merger reserve and elimination of Figgs Topco Limited capital		(90)	(10,514)	(56,078)	(369,119)	-	-	(435,801)
Issue of share capital	22	526	99,473	-	-	-	-	99,999
Share issue costs	22	-	(4,952)	-	-	-	-	(4,952)
Share capital and share premium reduction	22	(479,189)	(94,521)	573,710	-	-	-	-
		4,055	-	573,710	(369,119)	-	-	208,646
Share based payments	25	-	-	1,199	-	-	-	1,199
Deferred tax on share based payment	20	-	-	(55)	-	-	-	(55)
Contingent consideration on acquisition		-	-	-	-	1,109	-	1,109
<b>Transactions with owners</b>		4,055	-	574,854	(369,119)	1,109	-	210,899
<b>Balance at 31 December 2015</b>		4,055	-	679,366	(369,119)	1,109	1,097	316,508

The notes on pages 91 to 123 form an integral part of these consolidated financial statements.



# Consolidated cash flow statement

	Note	Period from 28/11/2014 to 31/12/2015 £'000
<b>Cash flow from operating activities</b>		
Cash generated from operations	27	91,567
Interest paid		(46,143)
Tax paid		(3,460)
<b>Net cash inflow from operating activities</b>		<b>41,964</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment		(9,401)
Proceeds from sale of property, plant and equipment		13
Acquisition of subsidiaries, net of cash acquired	24	(365,384)
Interest received		12
<b>Net cash (outflow) from investing activities</b>		<b>(374,760)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of equity shares		110,654
Equity issue costs		(3,202)
Dividends paid		-
Drawdown of borrowings		569,000
Repayment of borrowings		(274,000)
Debt issue costs		(18,737)
<b>Net cash inflow from financing activities</b>		<b>383,715</b>
<b>Net increase in cash and cash equivalents</b>		<b>50,919</b>
Cash and cash equivalents at beginning of the period		-
Exchange gains/losses on cash and cash equivalents		105
<b>Cash and cash equivalents at end of period</b>		<b>51,024</b>

The notes on pages 91 to 123 form an integral part of these consolidated financial statements.

# Notes to the financial statements

## 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 period ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 10 March 2016. The balance sheet was signed on behalf of the Board by W Sheppard and K Sims.

Ibstock plc is a company incorporated and domiciled in England whose shares are publicly traded.

### Basis of preparation

The consolidated financial statements of Ibstock plc for the period from 28 November 2014 to 31 December 2015 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.

Ibstock plc was incorporated on 3 September 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Ibstock plc was admitted to public trading on 27 October 2015.

On 26 February 2015, wholly-owned subsidiaries of Figgs Topco Limited acquired all of the shares of Ibstock Group Limited and Glen-Gery Corporation from CRH plc. Ibstock plc acquired Figgs Topco Limited and its subsidiaries in a share for share exchange prior to admission to public trading and as a result replaced Figgs Topco as the ultimate holding company in the group structure; this resulted in no ultimate change in control of the acquired companies. Under predecessor accounting, the results of Ibstock plc have been adjusted as if the entity had always been merged with Figgs Topco Limited, which was the holding company of other subsidiaries prior to the introduction of Ibstock plc into the group structure as the ultimate holding company. The consolidated financial statements of Ibstock plc ('the Group') therefore comprise the results of Figgs Topco Limited and its subsidiary companies from its incorporation on 28 November 2014. This represents the first period of account following the incorporation of Ibstock plc, and as such no comparative figures are presented.

Its 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. Therefore, the financial statements include the results of the operating companies which were acquired by Figgs Topco Limited on 26 February 2015 (see Note 24), from that date.

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated. The significant accounting policies are set out below.

### Basis of consolidation and acquisition accounting

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2015. 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 28.

The acquisition method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets acquired, negative goodwill arises and is recognised directly in the income statement.

An estimation of the fair value is made for contingent consideration in accordance with IFRS 3 at the time of a business combination. Where there is a contractual obligation to settle the liability in cash based on events outside the Company's control this is accounted for as a financial liability and subsequent changes to the fair value of contingent consideration recognised as a financial liability are recognised in the income statement. Otherwise contingent consideration is accounted for as a credit to equity within other reserves and is not subsequently adjusted.

Acquisition expenses of £9,392,000 have been taken to the consolidated income statement during the year and recognised in administrative expenses.

### 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 36 to 37. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 79 to 80. In addition, Note 21 to the financial statements include the Company'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. As a result it believes its trading performance will demonstrate continued improvement in the coming periods, and that 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.

In addition, see the Group's Viability Statement set out on page 35.

### IFRS 1 – First time adoption

These consolidated financial statements for the year ended 31 December 2015, are the first set of financial statements the Group has prepared in accordance with IFRS as adopted by the European Union. As Ibstock plc and its subsidiary Figgs Topco Limited have not previously prepared financial statements, no transition exemptions or exceptions have been applied and no reconciliations are presented.

# Notes to the financial statements

continued

## New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments, including impairment of financial assets and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit and loss ('P&L'). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI with no subsequent reclassification of cumulative gains and losses to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 9.

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

IFRS 16 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ('lessee') and the supplier ('lessor'). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 'Revenue from Contracts with Customers'. The Group is assessing the impact of IFRS 16.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 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 Executive Directors of the Group. The CODM reviews the key profit measure, 'Adjusted EBITDA' disaggregated by the UK and US based on geographical location and the organisational structure of the Group. No aggregation of segments has been applied.

## 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.

On consolidation, the assets and liabilities of foreign operations (i.e., subsidiaries with a functional currency that is not Sterling) are translated into Sterling at the exchange rate prevailing at the reporting date and their results are translated at the actual rates prevailing at the date of the transactions (or average rates, with a reasonable approximation) and the effect of fair value adjustment on the assets and liabilities are treated as part of the assets and liabilities of a foreign operation. The currency translation differences are recorded in the currency translation reserve within other comprehensive income and accumulated in equity in the currency translation reserve.

### (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. 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 in the income statement.

## Borrowing costs

Borrowing costs are expensed as incurred, except for borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised up to the date when the project is completed and ready for its intended use.

There were no borrowing costs capitalised during the period.

## 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.

Depreciation is provided on the cost of all other 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.

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.

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.

#### 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.

For further details see Note 11.

#### 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.

#### 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 an average cost basis, while work in progress and finished goods are held at direct cost and 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.

#### Financial assets

##### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 14 and 15, respectively).

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents includes cash in hand, 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 sheets, 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 if payment is due within one year or less (or in the normal operating cycle of the business if longer). 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.

## Notes to the financial statements

continued

### 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; any difference between the fair value initially recognised and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The effective interest method takes into account estimations of future cash flows associated with the instrument. Management are required to re-assess these estimates at each reporting date and where the expectations of the nature and timing of cash flows change a one-off adjustment is required to alter the carrying value of the instrument in accordance with those new expectations.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 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.

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.

Where defined benefit schemes have a surplus, the surplus is not recognised if future economic benefits are not available to the entity in the form of a reduction in the future contributions or a cash refund.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

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. This cost is included in interest expense in the income statement.

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.

A reimbursement asset has been recognised representing an indemnity receivable from a former parent undertaking which will be directly contributed to the pension scheme. A related liability for any additional pension liabilities that may arise as a result of the equalisation of pension benefits has been recognised within post-employment benefit obligations (see Note 19).

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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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. Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflow. 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. Other provisions relate to provisions for sites used for landfill and for onerous contracts to cover the exposure that the Group has for both current property leases where the rent being paid is significantly higher than the current market rents and also vacant properties. All of these provisions are discounted on an annual basis.

## Revenue

Revenue represents the fair value of consideration receivable for goods and services 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. For 'bill and hold' sales, in which delivery is delayed at the buyer's request but the buyer takes title and accepts billing, revenue is recognised when the buyer takes title, provided: (a) it is probable that delivery will be made; (b) the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised; (c) the buyer specifically acknowledges the deferred delivery instructions; and (d) the usual payment terms apply. Revenue is not recognised when there is simply an intention to acquire or manufacture the goods in time for delivery.

## Customer rebates

Provisions for rebates to customers are based upon the terms of individual contracts 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 represents associated expenses. This is not deemed to be a principal activity of the Group.

## Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward 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. Research and development costs capitalised are not material.

## Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and the 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 trends in financial performance. Further detail on exceptional items are given within Note 4.

The Directors believe that the adjusted EBITDA and earnings per share measures provide useful information for shareholders. These measures are consistent with how the underlying business performance is measured internally. The adjusted EBITDA is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies. The adjustments made to profit are described within Note 4.

## Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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, associates and joint arrangements, 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, associates and joint arrangements 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.

## Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

## Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

## Dividend distribution

Dividend distributions to Ibstock 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.

## 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 holding shares for a specific period of time).



## Notes to the financial statements

continued

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 period 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 25.

### 2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of 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.

#### Estimates

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 involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### Residual values and asset lives

Management has applied judgement in selecting the depreciation rates applied to depreciate property, plant and equipment, to depreciate tangible fixed assets over their useful economic lives. Following the acquisition of the operating companies, property, plant and equipment values were recognised at fair value and useful economic lives assessed at that date. These were derived from the operation of comparable equipment. The carrying value of property, plant and equipment, and a table showing the useful economic lives of these assets is disclosed in Note 12.

#### Taxation

The Group is subject to tax in the different tax jurisdictions in which it operates. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement. The Group's 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 country specific 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 a material impact on the Group's total tax charge and profit for the period in which such a determination is made.

#### 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. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are established by the Group based on the management's assessment of relevant information and advice available at the time of preparing the consolidated financial statements. Outcomes are uncertain and dependent on future events and are reviewed regularly. Where outcomes differ from management's expectations, differences from the amount initially provided will impact profit or loss in the period the outcome is determined.

The Group's provisions principally relate to obligations arising from PP&E dilapidation and restorations, provisions for the Supplemental Executive Retirement Plan, product warranties, landfill and onerous lease property provisions. Further details of specific estimates used in arriving at these provisions are provided in Note 17.

#### Business combinations

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired, including intangible assets and contingent liabilities, are recognised at their fair value. The determination of the fair values of acquired assets and liabilities is based, to a considerable extent, on management's judgement. In estimating fair value, particularly in relation to identifiable intangible assets, management is required to estimate the useful economic life of each asset and the future cash flows expected to arise from each asset and to apply a suitable discount rate. The carrying value of intangible assets is disclosed in Note 11.

Additionally, management has made judgements and estimations in relation to the expected ultimate payments which will occur, and their timings, in respect of contingent consideration and liabilities arising on the business combination in the period. Contingent consideration and related assumptions are disclosed in Note 24.

#### Mineral reserves

Upon acquisition by Figgs Topco Limited on 26 February 2015, mineral reserves were recorded at their fair value. The determination of the mineral reserves requires significant judgements and estimates to be applied, and these are reviewed regularly and updated.

Factors such as the availability of geological and extraction data, material performance and both the assessment of compliance with, and likelihood of extensions to, planning permissions, all impact upon the determination of the Group's estimates of its mineral reserves. Management's valuations are based on the expected future usage of reserves using production data, information from in-house geologists and input from external consultants.

Mineral reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the consolidated financial statements. Estimates of mineral reserves are also used to calculate depreciation charges for the Group's mineral reserves. The impact of changes in minerals is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production.

### Judgements

Judgements are made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

### Impairment of intangible and non-current assets

Determining whether intangible and other non-current assets are impaired requires judgement and estimation. The Group periodically reviews intangible and non-current assets, for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows.

The Group did not record any impairment charges during the period ended 31 December 2015 as management's judgement, based on a rigorous assessment, was that there were no indicators of impairment.

### Non-GAAP items

Exceptional items are disclosed separately in the financial statements where management believes 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 material items of income and expense which, because of the nature and 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 periods and to assess trends in financial performance.

Management has considered the materiality, infrequency and nature of the cost associated with the Group's Initial Public Offering in October 2015 against the requirements and guidance provided by IAS 1, Group accounting policies and recent press releases from the FRC. Management judged that classifying the scale and nature of the transaction and the related expense as an exceptional item in the income statement provides the best guidance as to the underlying profitability trends within the Group and to present the results of the Group in accordance with the policy above. Exceptional items are disclosed in Note 4.

### Borrowing costs

During the period ended 31 December 2015, the Group raised significant funds during refinancing the Group's debt. In establishing borrowing costs, using the effective interest rate method, management is required to exercise judgement over the period in which the debt will be utilised and repaid. Currently, management considers that debt will be held to maturity and transaction costs of raising debt are included in the effective interest rate over those periods. The amount of transaction costs included in debt are disclosed in Note 7.

### Defined benefit pension schemes

The Group's accounting policy for defined benefit pension schemes requires management to make judgements as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme. For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, life expectancy and expected remaining periods of service of employees.

In relation to the Group's post-employment obligations in the US, management make estimations relating to employee numbers, inflation rates, discount rates and future contribution rates.

These assumptions are based on the environment in the respective country. 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.

In the current period, management made a specific judgement in relation to the application of International Financial Reporting Interpretations Committee guidance IFRIC 14 and its applicability to Ibstock plc. This judgement concerns the Group's ability to recognise the actuarial surplus on the UK defined benefit pension scheme. In applying this interpretation, the Group restricted its pension surplus as at 31 December 2015 from £8,368,000 to £331,000 in recognition of the minimum funding requirements after management. Management has recognised the Barber equalisation liability of £9,000,000 together with a separate reimbursement asset from CRH plc of £9,000,000, which is held within trade and other receivables.

Additionally, management has exercised judgement in the treatment of the multi-employer US pension as a defined contribution scheme during the current year.

Note 19 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

### Deal costs

Deal costs of £5.0m were offset against the share premium of £99.5m created on the issue of shares during the period. Management has exercised judgement in assessing the allocation of deal costs incurred between equity and the current period income statement.

## Notes to the financial statements

continued

### 3. Segment reporting

As explained in Note 1, the management team considers the reportable segments to be the UK and the US. The key Group performance measure is Adjusted EBITDA, as detailed below, which is profit before net finance cost, tax, exceptional items, depreciation and amortisation and other non-underlying items. Transactions between segments are carried out at arms' length.

	Period ended 31 December 2015		Negative goodwill on acquisition £'000	Total £'000
	UK £'000	US £'000		
<b>Total revenue from external customers</b>	<b>287,796</b>	<b>70,535</b>	<b>-</b>	<b>358,331</b>
<b>EBITDA before exceptional items</b>	<b>91,167</b>	<b>11,132</b>	<b>-</b>	<b>102,299</b>
Acquisition costs: Transaction costs	(9,392)	-	-	(9,392)
Acquisition costs: Retention and compensation payments	(623)	(363)	-	(986)
IPO costs: Transaction costs	(10,276)	(2,221)	-	(12,497)
IPO costs: Compensation payments	(1,263)	-	-	(1,263)
Loss on disposal of property, plant and equipment	(1,389)	(14)	-	(1,403)
Exceptional cost of sales	(13,491)	(2,486)	-	(15,977)
<b>EBITDA after exceptional items</b>	<b>54,733</b>	<b>6,048</b>	<b>-</b>	<b>60,781</b>
Depreciation and amortisation pre fair value uplift	(10,796)	(3,056)	-	(13,852)
Incremental depreciation and amortisation following fair value uplift	(7,306)	(166)	-	(7,472)
Negative goodwill on acquisition	-	-	124,191	124,191
Net finance costs	(68,188)	(755)	-	(68,943)
<b>(Loss)/profit before tax</b>	<b>(31,557)</b>	<b>2,071</b>	<b>124,191</b>	<b>94,705</b>
<b>Total assets</b>	<b>566,236</b>	<b>102,405</b>	<b>-</b>	<b>668,641</b>
<b>Total liabilities</b>	<b>(328,152)</b>	<b>(23,981)</b>	<b>-</b>	<b>(352,133)</b>
<b>Non-current assets</b>				
Intangible assets	118,127	9,676	-	127,803
Property, plant and equipment	299,280	47,605	-	346,885
<b>Total</b>	<b>417,407</b>	<b>57,281</b>	<b>-</b>	<b>474,688</b>

### Revenue by product type

Revenue by product type, split by geographical location.

	UK £'000	US £'000	Total £'000
Clay	216,339	70,535	286,874
Concrete	71,457	-	71,457
	<b>287,796</b>	<b>70,535</b>	<b>358,331</b>



#### 4. Exceptional items

	Period ended 31 December 2015 £'000
Exceptional cost of sales	(15,977)
Exceptional administrative expenses:	
<i>Acquisition costs</i>	
Transaction costs	(9,392)
Retention and compensation payments	(986)
	(10,378)
<i>IPO costs</i>	
Transaction costs	(12,497)
Retention and compensation payments	(1,263)
	(13,760)
<b>Total exceptional administrative expenses</b>	<b>(24,138)</b>
Loss on disposal of property, plant and equipment	(1,403)
Negative goodwill on acquisition	124,191
<b>Total exceptional items</b>	<b>82,673</b>

#### Acquisition costs

##### Exceptional cost of sales

In accordance with IFRS, the inventory value was uplifted to fair value at the date of the acquisition, and this adjustment increased cost of sales in the post-acquisition period. The £15,977,000 cost incurred for the utilisation of the fair value uplift adjustment on inventory is considered an exceptional cost of sale as it is a non-cash and non-recurring item. The inventory fair value uplift has fully unwound as at 31 December 2015.

##### Transaction costs

Professional fees and other costs directly of £9,392,000 have been classified as exceptional in the current period. These costs directly attributable to the acquisition transaction which occurred in February 2015 have been classified as exceptional due to their material nature and as they are not expected to recur.

##### Retention and compensation payments

Other adjusting items of £986,000 in the period to December 2015 relate to retention bonuses due to key staff members which were committed to as part of our acquisition by Bain and the settlement of 'B' shares held by management.

#### IPO costs

##### Transaction costs

Costs of £12,497,000 have been incurred during the process of our Initial Public Offering. This represents professional fees, management fees incurred prior to our listing and other transaction costs. Due to the non-recurring and material nature of such costs, they have been classified as exceptional in the current period.

##### Compensation and retention payments

Upon the successful IPO of the Group, senior management were provided with bonuses (£540,000) and share options (£723,000), which vested immediately under the Long-Term Incentive Plan (LTIP) scheme. Since the bonus and cost of the award are fully recognised in the period, are not expected to recur and are intrinsically linked to the IPO transaction, they have been treated as exceptional in the current period. See Note 25c (i) for further details of the award. All other employee share schemes have been treated as recurring costs.

##### Negative goodwill

For further details of how negative goodwill of £124,191,000 was generated on the business combination, see Note 24.

All exceptional items have been settled in cash, other than certain deal costs, share based payments, negative goodwill and the cost of sales adjustment that are non-cash in nature due to being items that are either equity settled, or items arising solely from fair value accounting in the Group accounts.

#### Tax on exceptional items

Apart from the following items, exceptional items are taxable or deductible in full in the current period.

- (i) Negative goodwill of £124,191,000 is non-taxable and therefore does not impact the reported tax credit for the period
- (ii) Acquisition costs of £7,039,000 and IPO transaction costs of £11,769,000 have been treated as non-tax deductible and increase the current tax charge by £3,808,000
- (iii) A deferred tax asset of £150,000 has been recognised in respect of IPO-related share based payments totalling £723,000.

Loss on disposal of property, plant and equipment is non-tax deductible.

Exceptional finance costs detailed in Note 7 are tax deductible in full in the current period.

# Notes to the financial statements

continued

## 5. Operating profit

	Period ended 31 December 2015 £'000
<b>Operating profit includes the effect of (crediting)/charging:</b>	
Changes in inventories of finished goods and work in progress	(8,400)
Raw material and consumable used	(74,820)
Employee benefit expense (Note 6)	(74,541)
Depreciation and amortisation (Notes 11 and 12)	(21,324)
Fair value unwind of inventories (Note 4)	(15,977)
Other production costs	(34,502)
<b>Total cost of sales</b>	<b>(229,564)</b>
Transportation expenses	(29,265)
Other employee benefit expense (Note 6)	(22,573)
Loss on disposal of property, plant and equipment (Note 12)	(1,403)
Advertising costs	(1,475)
Operating lease payments	(5,771)
Operating lease income	550
Exceptional administrative expenses (Note 4)	(24,138)
Negative goodwill on acquisition (Note 4)	124,191

### Auditor remuneration

During the period the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor:

	Period ended 31 December 2015 £'000
<b>Group</b>	
Fees payable to the Company's auditor and its associates for the audit of parent company and consolidated financial statements:	100
Fees payable to Company's auditor and its associates for other services:	
– Audit of the company's subsidiaries	385
– Tax compliance services	18
– Tax advisory services	16
– Audit related and transaction advisory services in respect of the initial public offering	1,500
<b>Total</b>	<b>2,019</b>

## 6. Employees and Directors

Staff costs for the Group during the period:

	Period ended 31 December 2015 £'000
Wages and salaries	75,034
Social security costs	9,612
Pensions costs-defined benefit plans (Note 19)	9,895
Pensions costs-defined contribution plans (Note 19)	1,374
Share based payments (Note 25)	1,199
	<b>97,114</b>

Average monthly number of people (including Executive Directors) employed:

	Period ended 31 December 2015
Sales staff	326
Administrative staff	200
Production staff	2,110
	<b>2,636</b>

	Period ended 31 December 2015
<b>Key management compensation</b>	
Short-term employee benefits	2,052
Post-employment benefits	99
Other long-term benefits	-
Termination benefits	-
Share based payment	1,181
	<b>3,332</b>

Key management personnel has been defined as the Board of Ibstock plc, together with Directors of the Group's largest subsidiary. Details of Directors' remuneration are presented in the Remuneration Report on pages 56 to 78. The aggregate remuneration for the purposes of the financial statements is £1,180,000.

## 7. Finance costs

	Period ended 31 December 2015 £'000
Interest costs:	
Interest payable on shareholder loan notes (i)	(4,327)
Interest payable on preference shares (i)	(3,617)
Interest payable on revolving credit facility (ii)	(797)
Interest payable on bank borrowings (old facility) (iii)	(18,744)
Interest payable on bank borrowings (new facility) (iii)	(1,095)
Exceptional finance charge on extinguishment of secured borrowings and loss on early settlement of revolving credit facility (iii)	(39,922)
Total interest payable on bank borrowings	(60,558)
<i>Cash payable interest</i>	(68,502)
Net interest costs arising on the UK pension scheme (Note 19)	(31)
Net interest costs arising on the US pension scheme	(417)
Unwinding of discount on provisions/changes in discount rate (Note 17)	(491)
<i>Non-cash payable interest</i>	(939)
Total finance costs	<b>(69,441)</b>



## Notes to the financial statements

continued

The shareholder loan notes, preference shares, old bank borrowings and revolving credit facility, each taken out on acquisition of the trading group in February 2015, were financial instruments held at amortised cost using the effective interest method. The amortised cost method is based upon expected cash flows of each instrument.

- (i) The loan notes attracted interest of 12% per annum on the principal plus any unpaid interest. Interest is payable on a quarterly basis. The notes are repayable at par on maturity in February 2021 or earlier at the option of the Company. The par value of the shareholder loan notes was £51.8m. In October 2015 the shareholder loan note and accrued interest were repaid, the consideration being in the form of B preference shares and deferred shares. These newly issued shares were subsequently converted into ordinary and deferred shares as part of capital reorganisation that took place immediately prior to the IPO.

The 43,250,000 £0.001 preference shares bore a 12% annual fixed yield, compounding quarterly on 31 March, 30 June, 30 September and 31 December. On any redemption of these shares, the Articles of the Company provided that all arrears and accruals (if any) of the dividend should be paid. There was no fixed date of repayment; the shares could be redeemed at par at any time at the agreement of both the Company and the holder, or the shares are mandatorily redeemable at par on a triggering event, including the sale of the business. There was no premium payable on the redemption and the preference shares carried no votes at general meetings. In October 2015 the preference shares were converted into ordinary and deferred shares as part of a capital reorganisation that took place immediately prior to the IPO.

- (ii) The old revolving credit facility (RCF) provided available funding of £40m until it was repaid and extinguished in October 2015. Interest was charged at an annual rate of margin plus LIBOR (floored at 1%); the margin ranged from 2.75% – 3.50% dependent on the prevailing earnings of the Group on a rolling 12 months basis. Interest was payable at either one, two, three or six-monthly intervals, as appropriate. A commitment fee was payable on the undrawn element of the facility based on 35% of applicable margin. In October 2015 the old RCF was repaid.

The revolving credit facility was repaid and extinguished earlier than previously planned in October 2015 leading to an acceleration of transaction costs and an exceptional loss on early settlement of £1,877,000.

- (iii) The bank borrowings are a financial instrument classified as 'other financial liabilities' and held at amortised cost using the effective interest method. The amortised cost method is based upon expected cash flows of each instrument. Where the expectations of the nature and timing of cash flows change a one-off adjustment is required to adjust the carrying value of the financial instrument to reflect actual and revised estimated cash flows.

The old bank borrowings attracted interest of 8% plus LIBOR (floored at 1%) per annum, payable six monthly. The borrowings were repayable at par in February 2021. A voluntary early repayment exit charge of £38,045,000 was levied based on the nature and timing of the settlement. The initial drawdown value of the borrowings was £250m in February 2015.

On 30 June 2015 management revised the estimated lives and maturity dates for the securitised debt to October 2015 (previously to March 2018) after considering plans for an expected refinancing and associated 'make whole' premium, resulting in an exceptional finance charge. On repayment of this debt in October 2015 this facility was extinguished.

A new bank borrowing facility was entered into in September 2015 with new lenders and was first drawn in October as disclosed in Note 18. This financial instrument is also classified as 'other financial liabilities' and held at amortised cost using the effective interest method.

For further details on these facilities, see Note 18.

### 8. Finance income

	Period ended 31 December 2015 £'000
Interest income:	
Other interest receivable	16
Fair value gain on financial instrument	482
	<b>498</b>

## 9. Taxation

### Analysis of income tax charge

	Period ended 31 December 2015 £'000
Current tax on profits for the period	1,878
Foreign withholding tax suffered	291
<b>Total current tax</b>	<b>2,169</b>
Deferred tax on profits for the period	(3,942)
Impact of change in tax rate	(5,096)
<b>Total deferred tax (Note 20)</b>	<b>(9,038)</b>
<b>Income tax credit</b>	<b>(6,869)</b>
<b>The total tax credit comprises:</b>	
UK	(6,567)
US	(302)
	<b>(6,869)</b>

### Tax on items charged to other comprehensive income

	Period ended 31 December 2015 £'000
Deferred tax adjustment arising on the pension scheme assets and liabilities	734

The tax credit for the period differs from the applicable standard rate of corporation tax in the UK of 20.25% in the period ended 31 December 2015. The differences are explained below:

	Period ended 31 December 2015 £'000	Percentage
Profit before tax	94,705	100%
Profit before tax multiplied by the rate of corporation tax in the UK of 20.25% in the period ended 31 December 2015	19,178	20.25%
Effects of:		
Other expenses not deductible	1,133	1.20%
US withholding tax suffered	291	0.31%
Different effective tax rate on US current period earnings	137	0.14%
Adjustment in respect of previously unrecognised tax losses	(738)	(0.78)%
Total tax charge before deferred tax rate change and exceptional items	20,001	21.12%
Other expenses not deductible – exceptional items	3,809	4.02%
Negative goodwill arising on acquisition	(25,584)	(27.01)%
Rate change on deferred tax provision	(5,095)	(5.38)%
<b>Total taxation expense/(credit)</b>	<b>(6,869)</b>	<b>(7.25)%</b>

The tax credit for the period includes a deferred tax credit of £738,000 relating to the recognition of US state tax losses acquired as part of the business combination. These tax losses were not recognised at the acquisition date due to the historic tax loss position of the US business. The US business has reported a taxable profit for the period and is expected to remain profitable in the foreseeable future. A deferred tax benefit has been recognised accordingly.

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 Group expects its effective tax rate in the future to be affected by the geographical mix of profits and the different tax rates that will apply to those profits, the use of brought forward tax losses, the outcome of any future tax audits as well as the impact of changes in tax law.

The reduction in the standard rate of corporation tax in the UK from 21% to 20% effective from 1 April 2015 was substantively enacted on 2 July 2013. The further reductions to 19% effective from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015 and the impact of these tax rate changes are reflected in these financial statements accordingly.

# Notes to the financial statements

continued

## 10. Earnings per share

<b>Period from 28 November 2014 to 31 December 2015</b>	<b>Earnings (£000's)</b>	<b>Weighted average no. of shares (000's)</b>	<b>Per share amount (pence)</b>
<b>Earnings per share:</b>			
Basic earnings per share	101,574	288,236	35.2
Effect of share incentive awards and options		60	
Diluted earnings per share	101,574	288,296	35.2

Earnings per share are calculated on 288,236,000 number of ordinary shares in issue for the period ended 31 December 2015. Diluted earnings per share assumes conversion of all potential dilutive ordinary shares which arise from share incentive scheme awards granted to employees. The effect of this dilution is to increase the weighted average number of ordinary shares to 288,296,000.

<b>Adjusted earnings per share:</b>	<b>Notes</b>	<b>Earnings (£000's)</b>	<b>Weighted average no. of shares (000's)</b>	<b>Per share amount (pence)</b>
<i>Reconciliation from profit to Adjusted profit</i>				
Profit		101,574		
Add back exceptional items	4	(42,751)		
Add back tax credit on exceptional items		(13,595)		
Add back fair value adjustments		7,546		
Add tax credit on fair value adjustments		(6,007)		
<b>Basic adjusted earnings per share</b>		<b>46,767</b>	<b>288,236</b>	<b>16.2</b>
<b>Effect of share incentive awards and options</b>			<b>60</b>	
<b>Diluted Adjusted earnings per share</b>		<b>46,767</b>	<b>288,296</b>	<b>16.2</b>

## 11. Intangible assets

	31 December 2015		
	Customer contracts and relationships £'000	Brands £'000	Total £'000
<i>Cost</i>			
At 28 November 2014	-	-	-
Arising on business combination (Note 24)	87,600	45,400	133,000
Exchange movements	-	242	242
At 31 December 2015	87,600	45,642	133,242
<i>Accumulated amortisation and impairment</i>			
At 28 November 2014	-	-	-
Charge for the period	(4,505)	(934)	(5,439)
Exchange movements	-	-	-
At 31 December 2015	(4,505)	(934)	(5,439)
<i>Net book amount</i>			
At 31 December 2015	83,095	44,708	127,803

Amortisation is included in administrative expenses in the income statement.

The remaining amortisation period of customers' relationships is 10 to 20 years. The remaining amortisation period of brands is outlined below:

<b>Brands</b>	<b>At 31 December 2015 £'000</b>	<b>Remaining amortisation period (Years)</b>
Ibstock Brick	31,464	49.2
Forticrete	732	9.2
Supreme	2,831	14.2
Glen-Gery	9,681	49.2
	<b>44,708</b>	

## 12. Property, plant and equipment

	2015				Total £'000
	Land and buildings £'000	Mineral reserves £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	
<i>Cost</i>					
At 28 November 2014	-	-	-	-	-
Arising on business combination (Note 24)	176,484	72,239	97,976	3,248	349,947
Additions	820	257	9,929	2,102	13,108
Transfers	-	-	-	-	-
Disposals	(884)	(28)	(6,979)	-	(7,891)
Exchange movements	316	195	609	11	1,131
At 31 December 2015	176,736	72,663	101,535	5,361	356,295
<i>Accumulated depreciation</i>					
At 28 November 2014	-	-	-	-	-
Total charge for the period	(4,824)	(2,277)	(8,784)	-	(15,885)
Disposals	777	4	5,694	-	6,475
At 31 December 2015	(4,047)	(2,273)	(3,090)	-	(9,410)
<i>Net book amount</i>					
At 31 December 2015	172,689	70,390	98,445	5,361	346,885

A loss on disposal of property, plant and equipment of £1,403,000 has been recognised in the period ended 31 December 2015.

There are no assets which are used as security.

Management reviews the business performance based on segments reported in Note 3. In the current year impairment tests have not been conducted as management believes that there is no indication of impairment of an asset.

## 13. Inventories

	31 December 2015 £'000
Raw materials	18,445
Work in progress	2,639
Finished goods	61,973
	<b>83,057</b>

The replacement cost of inventories is not considered to be materially different from the above values.

Inventory values were uplifted to fair value at the date of the acquisition, and the unwind adjustment increased cost of sales in the post-acquisition period (see Note 4 for further details). All of the fair value uplift has now unwound.

At 31 December 2015, a provision of £2,670,000 is held against the inventory balance.



## Notes to the financial statements

continued

### 14. Trade and other receivables

	31 December 2015 £'000
Trade receivables	46,085
Provision for impairment of receivables	(654)
<b>Net trade receivables</b>	<b>45,431</b>
Prepayments and accrued income	3,266
Other receivables	926
Reimbursement asset	9,000
<b>Total trade and other receivables</b>	<b>58,623</b>

The reimbursement asset represents an indemnity receivable from former parent undertaking which will be directly contributed to the pension scheme. Subsequent to 31 December 2015 this amount was received. A related liability for any additional pension liabilities that may arise as a result of the equalisation of pension benefits has been recognised within post-employment benefit obligations (see Note 19). The assessment of the valuation of this indemnity is linked to an assessment of the additional pension liabilities that may arise.

There are no material differences between the fair values and book values stated above.

### 15. Cash and cash equivalents

	31 December 2015 £'000
Cash at bank and in hand	51,024

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	31 December 2015 £'000
Cash at bank and in hand	51,024
Cash and cash equivalents	51,024

### 16. Trade and other payables

	31 December 2015 £'000
Trade payables	35,899
Contingent consideration on acquisition (Note 24)	4,000
Other tax and social security payable	4,976
Accruals and other payables	34,361
	<b>79,236</b>

There are no material differences between the fair values and book values stated above. Included in accruals and other payables above is deferred income, due to unwind in more than one year, of £214,000.

## 17. Provisions

	31 December 2015 £'000
Restoration (i)	4,905
Dilapidations (ii)	8,005
Restructuring (iii)	183
Other (iv)	1,380
	<b>14,473</b>
Current	1,291
Non-current	13,182
	<b>14,473</b>

	31 December 2015				
	Restoration (i) £'000	Dilapidations (ii) £'000	Restructuring (iii) £'000	Other (iv) £'000	Total £'000
At 28 November 2014	-	-	-	-	-
Arising on business combination (Note 24)	4,418	8,000	238	1,666	14,322
Utilised	(61)	-	(63)	(505)	(629)
Charged to income statement	75	-	-	216	291
Unwind of discount/change in rate	394	-	33	63	490
Reversed unused	(12)	-	(25)	-	(37)
Other movements	(137)	-	-	(38)	(175)
Translation adjustment	228	5	-	(22)	211
At 31 December 2015	4,905	8,005	183	1,380	14,473

- (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 10 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 are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflows.
- (iii) 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.
- (iv) Other provisions relate to provisions for the Supplemental Executive Retirement Plan (SERP), product warranties, landfill and onerous contracts. The SERP is a defined contribution retirement plan in respect of basic salary entitlements for executive directors. The product warranties are based on the estimate of the cost of fulfilling customer warranty claims. The estimate is derived principally from historical data appropriately adjusted for specific risk factors. Under the Group's standard sales terms, the Group repairs or replace items that fail to perform satisfactorily for one year from the date of delivery to the customer. It is expected that the most of this expenditure will be incurred within one year of the balance sheet date. The landfill provision relates to the restoration of the associated sites and environmental remediation required by legislation. The onerous contract provision provides cover for the exposure that the Group has for both current property leases where the rent being paid is significantly higher than the current market rents and vacant properties at acquisition.

Amounts arising on acquisition of the trading business include contingent liabilities to reflect present obligations that existed at the date of acquisition. This includes certain legal claims in the UK of £1,100,000 which have been included in Other. For further details see Note 24.

The Group holds insurance performance bonds with Liberty Mutual Insurance Company in respect of the Group's maintenance and remediation obligations in respect of sites from which materials are being extracted. The bonds are typically in favour of the Department of Environmental Protection within the relevant jurisdictions. At 31 December 2015 the value of the bonds amounted to £1,230,000. The maximum term on the bonds outstanding at that date is September 2016. The bonds are typically renewed on an annual basis at comparable levels.

Bank of America has provided a letter of credit of £50,000 on behalf of the Group to the National Union Fire Insurance Company. This letter of credit renews on an annual basis.

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### 18. Borrowings

	31 December 2015 £'000
<b>Current</b>	
Bank borrowings (i)	14,097
<b>Non-current</b>	
Revolving credit facility (ii)	–
Bank borrowings (i)	181,658
	<b>181,658</b>
<b>Total borrowings</b>	<b>195,755</b>

A £240m facilities agreement covering the following financial instruments was entered into as part strategic planning for the Initial Public Offering in October 2015:

#### (i) New bank borrowings

A five-year £200m facility was entered into in September 2015 and first drawn in October with mandatory repayments of £15m due on the 1st, 2nd, 3rd and 4th anniversary dates subject to the Company's right to elect not to make one of the repayment instalments due during the term of the loan. The borrowings attracted interest of between 1.25% and 2.50% depending on leverage ratio (defined as consolidated total net debt as a proportion of consolidated EBITDA) plus LIBOR (or EURIBOR for any loan in Euro) per annum, payable either three or six monthly at the option of the Group. A commitment fee is payable on the undrawn element of the facility based on 35% of applicable margin.

#### (ii) New revolving credit facility ('New RCF')

A New RCF for £40m over five years was entered into in September 2015. The borrowings attract interest of between 1.25% and 2.50% depending on leverage ratio (defined as above) plus LIBOR (or EURIBOR for any loan in Euro) per annum, payable either one, three or six monthly at the option of the Company. Throughout the period and as at 31 December 2015 the New RCF was undrawn.

The carrying value of financial liabilities have been assessed as materially in line with their fair values.

### 19. Post-employment benefit obligations

#### (a) Defined benefit plan

Analysis of movements in the net obligation during the period:

	31 December 2015 £'000
<b>Funded plan at 31 December 2015</b>	
Opening balance at 28 November 2014	–
Arising on acquisition	(4,704)
Charge within labour costs and operating profit	(9,730)
Interest expense	(31)
Remeasurement gain recognised in the statement of comprehensive income	11,709
Pension scheme surplus restriction recognised in the statement of comprehensive income	(8,037)
Contributions	11,124
Carried forward at 31 December 2015	<b>331</b>

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, Figgs Bidco Limited (from 26 February 2015) and Tyrone Brick Limited (up to 26 February 2015). The Scheme is 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.

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 (including projected increases in earnings and pensions) in respect of service up to the balance sheet date. The Scheme is subject to independent actuarial valuation at least every three years using the projected unit method.

The valuation used as at 31 December 2015 has been based on the initial results of the 30 November 2014 valuation.

This Scheme has a surplus that is not fully recognised on the basis that future economic benefits are not unconditionally available to the Group in the form of a reduction in the future contributions or a cash refund.

Given the contribution plan adopted, the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £17,368,000 available on a reduction of future contributions is £331,000. As a result the Group has not recognised the full IAS 19 surplus on the balance sheet and has restricted the full actuarial surplus by £17,037,000 in the statement of other comprehensive income.

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:

- asset value volatility, with the associated impact on the assets held in connection with the funding of pension obligations and the related cash flows;
- changes in bond yields, with any reduction resulting in an increase in the present value of pension obligations, mitigated by an increase in the value of plan assets;
- risk of volatility in inflation rates as pension obligations are generally linked to inflation; and
- life expectancy, as pension benefits are provided for the life of beneficiaries and their dependents.

Balance sheet assets/(obligations):

	31 December 2015 £'000
Equities	236,100
Bonds	270,767
Properties	24,285
Liability driven investment	23,787
Cash	3,947
Total market value of assets	558,886
Present value of scheme liabilities	(550,518)
<b>Net scheme asset</b>	<b>8,368</b>
<b>Pension scheme surplus restriction</b>	<b>(8,037)</b>
<b>Post-employment benefit asset after surplus restriction</b>	<b>331</b>
Other pension commitments	(8,007)
<b>Post-employment benefit obligation</b>	<b>(8,007)</b>

All equities and bonds have a quoted market price in an active market. Properties and cash and cash equivalents are unquoted.

The amounts recognised in the income statement are:

	31 December 2015 £'000
Current service cost	9,389
Administrative expenses	341
Multi-employer scheme contributions	165
Defined contribution scheme	1,374
<b>Charge within labour costs and operating profit</b>	<b>11,269</b>
Interest expense	31
<b>Total charge to the income statement</b>	<b>11,300</b>

Remeasurements recognised in the statement of comprehensive income:

	31 December 2015 £'000
Remeasurement loss on defined benefit scheme assets	(24,569)
Remeasurement gain from changes in financial assumptions	22,020
Remeasurement gain from changes in demographic assumptions	14,648
Experience adjustments	(390)
Other comprehensive income	11,709



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Changes in the present value of the defined benefit obligations are analysed as follows:

	31 December 2015 £'000
Present value of defined benefit obligation at 28 November 2014	–
Arising on business combination	(575,041)
Current service cost	(9,389)
Interest cost	(16,015)
Contributions by scheme participants	(64)
Experience losses	(390)
Benefits paid	13,530
Remeasurement gain arising from change in financial assumptions	22,020
Remeasurement gains arising from change in demographic assumptions	14,648
Insurance premium for risk benefits	183
<b>Present value of defined benefit obligations carried forward at 31 December 2015</b>	<b>(550,518)</b>

Changes in the fair value of plan assets are analysed as follows:

	31 December 2015 £'000
Fair value of pension scheme assets at 28 November 2014	–
Arising on business combination	570,337
Interest income	15,984
Remeasurement loss on pension scheme assets	(24,569)
Employer contributions	11,124
Contributions by scheme participants	64
Benefits paid	(13,530)
Administrative expenses	(341)
Insurance premium for risk benefits	(183)
<b>Fair value of pension scheme assets carried forward</b>	<b>558,886</b>

Plan assets are comprised as follows:

	Quoted £'000	Unquoted £'000	Total £'000	%
<b>Equity Instruments</b>	<b>236,100</b>	<b>–</b>	<b>236,100</b>	
– UK equities	65,348	–	65,348	12%
– Overseas equities	129,521	–	129,521	23%
– Emerging market equities	41,231	–	41,231	7%
<b>Debt Instruments</b>	<b>270,767</b>	<b>–</b>	<b>270,767</b>	
– UK corporate bonds	148,056	–	148,056	27%
– Index linked gilts	122,711	–	122,711	22%
<b>Property</b>				
– Property	24,285	–	24,285	4%
<b>Liability driven investment</b>	–	23,787	23,787	4%
<b>Cash and net current assets</b>	–	3,947	3,947	1%
<b>Total</b>	<b>531,152</b>	<b>27,734</b>	<b>558,886</b>	100%

The Group continued to contribute 16.0% of pensionable salaries to the Scheme during the period reported. A payment schedule has been agreed with the Trustees of the Ibstock Pension Scheme so that the Scheme's deficit can be eliminated. This includes the Group continuing to contribute 16% of pensionable salaries to the Scheme as well as a further £7.0m per annum until May 2021. The weighted average duration of the defined benefit obligation is 19 years.

At the 31 December 2015 balance sheet date, a reimbursement asset is recorded which will be directly contributed to the Scheme. Refer to Note 14 'Trade and other receivables'.

The principal assumptions used by the actuary in his calculations were:

	31 December 2015 Per annum
Discount rate	3.85%
RPI inflation	3.10%
CPI inflation	2.10%
Rate of increase in salary	3.10%
Rate of increase in pensions in payment	3.60%
<b>Mortality assumptions: life expectancy from age 65</b>	
For a male currently aged 65	22.9 years
For a female currently aged 65	25.5 years
For a male currently aged 40	25.3 years
For a female currently aged 40	28.0 years

The post-retirement mortality assumptions allow for expected increases 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 19 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2015 would decrease/increase by approximately 4%.

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	31 December 2015 £'000
0.25% increase in discount rate	24,327
0.25% decrease in discount rate	(26,091)
0.25% increase in salary growth rate	(16,370)
0.25% decrease in salary growth rate	15,547
0.25% increase in pension growth rate	(19,588)
0.25% decrease in pension growth rate	16,467
0.25% increase in inflation rate	19,588
0.25% decrease in inflation rate	(16,467)
One-year increase in life expectancy	(20,130)
One-year decrease in life expectancy	20,159

A special contribution of £60m was paid in the pre-acquisition period. Refer to Note 24 for further details.

#### (b) Multi-employer scheme

The Group participates 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'), which are both held in the United States. As the Group is unable to identify its share of the assets and liabilities for these schemes as insufficient information is available on which to calculate this split (as confirmed with the schemes actuaries), they are accounted for on a defined contribution basis. The charge for the period to December 2015 is £390,000. The Group is not liable for any other contributing entities within either scheme. For exit from the schemes by the Group at the most recent actuarial valuation, it was estimated that the withdrawal liability for the schemes equalled £13,981,000 and £1,281,000 for the AB&GW and NIGPP, respectively, although management currently do not have any plans on withdrawing from either scheme.

The minimum contribution requirements for the AB&GW scheme are based on a minimum monthly charge per active employee, with the minimum contribution requirements for the NIGPP scheme being based on a minimum charge per hour worked. The expected contributions to the plan for the next annual reporting period, being the year ending December 2016, is £450,000. In respect of the AB&GW scheme, based on the total contributions made in 2015 to the multi-employer schemes, the level of participation the Group made compared to other participating entities was 86% and the Group has 71% of all members (active, deferred and retired). In respect of the NIGPP scheme, based on the proportion of the withdrawal liability against total plan liabilities, the level of participation the Group made compared to other participating entities was less than 1%.

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The AB&GW plan has a deficit as at 31 December 2014 of £5,901,000. The contribution rates agreed to be paid by the Group include an element of rehabilitation funding with respect to the total plan deficit. For this scheme, the arrangements gives rise to a present obligation and as such a liability has been recognised of £8,007,000 (26 February 2015: £7,538,000) for future committed contribution amounts as at 31 December 2015, with an associated recognised deferred tax asset of £3,052,000. This has been calculated by discounting the future cash flows, which accrete at 7% per annum in line with the rehabilitation funding plan as set by the scheme Trustees, at a rate commensurate with the time value of money using a 20-year US treasury rate given the duration of the rehabilitation funding plan runs to 2034. This calculation is based on management's estimated number of employees in future years. The Trustees meet annually to reassess the funding contribution increase – this has been set at the 7% rate since 2012. Based on the contribution rates and total withdrawal liability for the NIGPP plan, management have determined any present obligation arising from the plan is immaterial.

### (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 and the Supreme Concrete Group Personal Plan. 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 period was £1,374,000.

### 20. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2015 £'000
Deferred tax liability at 28 November 2014	–
Arising on business combinations	<b>(62,773)</b>
Differences on exchange	<b>(138)</b>
Tax credited/(charged) to the Group income statement	<b>9,038</b>
Tax recognised within other comprehensive income	<b>(734)</b>
Tax credited/(charged) directly to equity	<b>(55)</b>
Net deferred tax liability at period-end	<b>(54,662)</b>
Deferred tax asset	<b>18,830</b>
Deferred tax liability	<b>(73,492)</b>
Net deferred tax liability at period-end	<b>(54,662)</b>
Deferred tax asset expected to unwind within one year	<b>3,686</b>
Deferred tax asset expected to unwind after one year	<b>15,144</b>
	<b>18,830</b>
Deferred tax liability expected to unwind within one year	<b>(4,153)</b>
Deferred tax liability expected to unwind after one year	<b>(69,339)</b>
	<b>(73,492)</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

31 December 2015							
	Intangible assets	Accelerated tax depreciation	Land revaluation	Rolled over and held over gains	Employee pensions liabilities	Other including reimbursement asset	Total
<b>Deferred tax liabilities</b>							
At 28 November 2014	-	-	-	-	-	-	-
Arising on business combinations	(28,340)	(48,270)	(1,104)	(1,786)	(859)	(3,814)	(84,173)
Differences on exchange	-	(288)	(43)	-	-	-	(331)
Tax credited/(charged) to the Group income statement	3,133	4,893	59	260	1,527	1,874	11,746
Tax recognised within other comprehensive income	-	-	-	-	(734)	-	(734)
<b>At 31 December 2015</b>	<b>(25,207)</b>	<b>(43,665)</b>	<b>(1,088)</b>	<b>(1,526)</b>	<b>(66)</b>	<b>(1,940)</b>	<b>(73,492)</b>

31 December 2015							
	Accelerated tax depreciation	Employee pensions liabilities	Share incentive plans	Pension contribution spreading	Tax losses	Other including provisions	Total
<b>Deferred tax assets</b>							
<b>At 28 November 2014</b>	-	-	-	-	-	-	-
Arising on business combination	-	2,874	379	12,061	1,063	5,023	21,400
Differences on exchange	-	82	-	-	38	73	193
Tax credited/(charged) to the Group income statement	151	96	(112)	(2,819)	22	(46)	(2,708)
Tax credited/(charged) directly to equity	-	-	(55)	-	-	-	(55)
<b>At 31 December 2015</b>	<b>151</b>	<b>3,052</b>	<b>212</b>	<b>9,242</b>	<b>1,123</b>	<b>5,050</b>	<b>18,830</b>

A deferred tax asset of £227,000 in respect of State net operating losses has not been recognised in these consolidated financial statements. These unrecognised tax losses expire within a period of between five and 20 years.

## 21. Financial instruments – risk management

	Loans and receivables 31 December 2015 £'000
<b>Financial assets</b>	
Trade and other receivables (Note 14)	55,798
Cash and cash equivalents (Note 15)	51,024
<b>Total</b>	<b>106,822</b>

	Loans and payables 31 December 2015 £'000
<b>Financial liabilities</b>	
Trade and other payables (Note 16)	74,260
Provisions (Note 17)	13,373
Borrowings (Note 18)	195,755
<b>Total</b>	<b>283,388</b>

All financial assets are classified as loans and receivables.

### 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 Board level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence.



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The ageing analysis of the trade receivables (from date of past due) not considered to be impaired is as follows:

	31 December 2015 £'000
Not past due	33,949
Less than one month past due	9,324
One to six months past due	1,997
Six to 12 months past due	149
More than 12 months past due	12
	<b>45,431</b>

Other receivables are due to be received within the next 12 months. The reimbursement asset was received after the year end.

The ageing analysis of the trade receivables (from date of past due) determined to be impaired is as follows:

	31 December 2015 £'000
Less than one month past due	6
One to six months past due	414
Six to 12 months past due	108
More than 12 months past due	126
	<b>654</b>

Movements on the provision for impairment of trade receivables are as follows:

	31 December 2015 £'000
Arising on business combination (Note 24)	(495)
Charged to the income statement	(254)
Utilised	104
Exchange movements	(9)
Closing impairment provision	(654)

### 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. In the post-IPO period the Group's interest rate risk arises principally from the revolving credit facility and bank borrowings which attract floating rate interest, see Note 18. The Group manages its interest rate risk by using a floating rate debt with varying repayment terms. The Group also does not trade in derivative financial instruments and so is not considered to be exposed to other price risk. The exposure to currency risk is considered low.

The exposure in different currency of financial assets and liabilities is as follows:

At 31 December 2015	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
<b>Financial assets</b>				
Cash and cash equivalents (Note 15)	42,264	8,420	340	51,024
Trade and other receivables (Note 14)	44,926	10,360	512	55,798
	<b>87,190</b>	<b>18,780</b>	<b>852</b>	<b>106,822</b>
<b>Financial liabilities</b>				
Borrowings (Note 18)	(195,755)	-	-	(195,755)
Trade and other payables (Note 16)	(63,755)	(9,657)	(848)	(74,260)
Provisions (Note 17)	(12,465)	(908)	-	(13,373)
	<b>(271,975)</b>	<b>(10,565)</b>	<b>(848)</b>	<b>(283,388)</b>

There are no material differences between the fair values and the book values stated above.

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 2015	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
<i>Borrowings</i>					
Bank borrowings	–	14,097	181,658	–	195,755
Total	–	14,097	181,658	–	195,755

The Group has an RCF facility of £40m over five years that was entered into in September 2015. At 31 December 2015 the full facility was undrawn. See Note 18 for further details.

For details of the maturity of other financial liabilities, see Note 16.

The contractual non-discounted minimum future cash flows in respect of these borrowings are:

At 31 December 2015	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
<i>Borrowings:</i>				
Bank borrowings	20,622	202,629	–	223,251
Total	20,622	202,629	–	223,251

### 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).

All of the Group's fair value measurements have been categorised as Level 2 except for contingent consideration which has been categorised as Level 3. There were no transfers between levels during the period.

### Financial instruments in Level 3

The Group's financial instruments that are categorised under Level 3 are contingent consideration and the techniques used to value are provided in Note 24.

The following table presents the changes in Level 3 instruments for the period ended 31 December 2015.

At 31 December 2015	Contingent consideration £'000
At 28 November 2014	–
Arising on business combination	4,000
Gains and losses recognised in profit and loss	–
<b>At 31 December 2015</b>	<b>4,000</b>

### Capital risk management

The Group's objectives when managing capital, defined as net funds, 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.

Following the issue of the new banking facilities in September 2015 the Group must comply with two covenants each quarter from 30 June 2016. The covenants are certain ratios of interest cover and leverage, which are monitored on a regular basis by the Board. At the period end date, management believes significant headroom exists on both covenant conditions.

Immediately prior to and following the Group's admission to the London Stock Exchange, a capital reorganisation took place. Further details are provided in Note 22.

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## 22. Called up share capital

	Number of shares	Share capital £'000	Share premium £'000
Issued, called up and fully paid:			
Ordinary shares of £1 each	50,000	50	–
<b>Total share capital on incorporation on 3 September 2015</b>	<b>50,000</b>	<b>50</b>	<b>–</b>
<b>Consolidation of shares followed by designation into A ordinary shares</b>			
(50,000 ordinary shares of £1 each into 6,250 ordinary shares of £8 each)	6,250	50	–
<b>Capital reorganisation involving:</b>			
<i>(i) Allotment of shares as part of the share for share exchange</i>			
A ordinary shares of £8 each	9,993,750	79,950	–
B ordinary shares of £8 each	80,000	640	–
A preference shares of £8 each	43,250,000	346,000	–
B preference shares of £8 each	7,009,738	56,078	–
Deferred shares of £0.01 each	648	–	–
	60,334,136	482,668	–
<b>Total share capital following the share for share exchange</b>	<b>60,340,386</b>	<b>482,718</b>	<b>–</b>
<i>(ii) Sub-division of ordinary and preference shares from £8 each into £0.01 each</i>			
A ordinary shares of £0.01 each	8,000,000,000	80,000	–
B ordinary shares of £0.01 each	64,000,000	640	–
A preference shares of £0.01 each	34,600,000,000	346,000	–
B preference shares of £0.01 each	5,607,790,400	56,078	–
	48,271,790,400	482,718	–
Deferred shares of £0.01 each	648	–	–
<b>Total share capital following the sub-division of shares</b>	<b>48,271,791,048</b>	<b>482,718</b>	<b>–</b>
<i>(iii) Redesignation of shares into ordinary and deferred shares of £0.01 each</i>			
Ordinary shares of £0.01 each	352,868,422	3,529	–
Deferred shares of £0.01 each	47,918,922,626	479,189	–
<b>Total share capital immediately prior to IPO</b>	<b>48,271,791,048</b>	<b>482,718</b>	<b>–</b>
<b>Ordinary shares of £1 each issued in the primary offering</b>	<b>52,631,578</b>	<b>526</b>	<b>94,521</b>
Total share capital following primary offering			
Ordinary shares of £0.01 each	405,500,000	4,055	94,521
Deferred shares of £0.01 each	47,918,922,626	479,189	–
<b>Total share capital on IPO</b>	<b>48,324,422,626</b>	<b>483,244</b>	<b>94,521</b>
Capital reduction	(47,918,922,626)	(479,189)	(94,521)
<b>At 31 December 2015</b>	<b>405,500,000</b>	<b>4,055</b>	<b>–</b>
<b>Comprised of:</b>			
Issued, called up and fully paid:			
Ordinary shares of £0.01 each	405,500,000	4,055	–

The Group's capital structure was reorganised during the period in preparation for the IPO.

On 22 October 2015, the existing share capital structure was reorganised as set out above to consist of a single class of ordinary shares and a single class of deferred shares. Following the capital reorganisation, 352,868,422 new ordinary shares of £0.01 each and 47,918,922,626 new deferred shares of £0.01 each were in issue.

At IPO (on 27 October 2015), the Company issued 52,631,578 new ordinary shares of £0.01 each at a premium of £1.89 per share. Share issue costs of £5.0m were offset against the share premium of £99.5m created on the issue of these shares.

On 16 December 2015, a capital reduction was completed in accordance with the terms of a special resolution passed on 21 October 2015 under which:

- (i) 47,918,922,626 deferred shares of £0.01 each were cancelled and extinguished; and
- (ii) the sum standing to the credit of the Company's share premium account (an amount of £94,521,000) was cancelled.

Following the capital reduction, the issued share capital of the Company consists of 405,500,000 ordinary shares of £0.01 each.

### 23. Reserves

#### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

#### Other reserves

Other reserves relate to contingent consideration arising on acquisition where there is no contractual obligation to settle the liability in cash based on events outside the Group's control.

#### Merger reserve

The merger reserve of £369,119,000 arose on the acquisition of Figgs Topco Limited by Ibstock plc 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. Further details are provided in Note 1.

### 24. Business combinations

On 26 February 2015, Figgs Topco Limited acquired 100% of the voting shares of Ibstock Group Limited and its subsidiaries, and Glen-Gery Corporation and its subsidiaries (together 'the acquired operations'). The entities acquired specialise in the manufacture of clay and concrete building products. The acquisition of these entities establishes the Group as a leading building products manufacturer in the UK and in the North East and Mid West regions of the US.

#### Assets acquired and liabilities assumed:

The fair value of the identifiable assets and liabilities of the acquired operations as at the date of acquisition were:

	Fair value recognised on acquisition £'000
<b>Assets</b>	
Customer contracts and relationships	87,600
Brands	45,400
Property, plant and equipment	349,947
Inventories	89,518
Trade and other receivables	80,408
Cash and cash equivalents	7,465
<b>Total assets</b>	<b>660,338</b>
<b>Liabilities</b>	
Trade and other payables	(67,932)
Derivative financial instruments	(508)
Current tax liabilities	(408)
Post employment benefit obligations	(12,242)
Deferred tax liabilities	(62,773)
Provisions	(14,322)
<b>Total liabilities</b>	<b>(158,185)</b>
Total identifiable net assets at fair value	502,153
Negative goodwill arising on acquisition immediately recognised within the income statement	(124,191)
<b>Purchase consideration transferred</b>	<b>377,962</b>

The fair value of the trade and other receivables amounts to £80,408,000, which equates to a net amount of trade receivables. The gross amount due under contracts is £80,903,000 of which £495,000 is expected to be uncollectable.

The full analysis of the deferred tax arising on business combination is set out in Note 20.

The consideration paid in association with the purchase of the Ibstock Group of companies was based on a multiple of earnings and not an assessment of the fair value of the assets of the business. As there is considerable value associated with intangible assets that only arise in the consolidated financial statements, and our tangible assets reflect the current market demand for building products and production capacity, the fair value of the acquired net assets are in excess of the consideration paid, and therefore negative goodwill has arisen, which has been immediately taken to the income statement. There are no expected taxation consequences in relation to the negative goodwill recognised.



## Notes to the financial statements

continued

Provisions and contingent liabilities at fair value of £7,000,000 were recognised at the acquisition date resulting from various legal claims in the UK of £1,100,000, UK property risks of £3,300,000 and an environmental claim of £2,600,000 in the US. These fair values were provisional pending the receipt of final valuations of the potential liabilities. As at 31 December 2015, a final external valuation of the UK property risks has been received and the fair value increased from £3,300,000 to £7,850,000, and an internal valuation exercise identified increased US property risks of £151,000. Subsequent to the acquisition date, management has also received external legal advice that no liability in relation to the US environmental claim is required – resulting in a reduction in contingent liabilities of £2,600,000. Additionally, management identified a £2,151,000 liability in respect of employee compensation previously recognised as a post-acquisition exceptional period cost. The related deferred taxation liability uplift of these final fair value adjustments is £210,000. As at the reporting date, all other fair values were determined to remain as originally determined at the acquisition date.

<b>Purchase consideration</b>	<b>£'000</b>
Initial cash consideration	312,853
Pension contribution	60,000
Contingent land proceeds	1,109
Contingent pension tax benefit	4,000
<b>Total consideration</b>	<b>377,962</b>

As part of the acquisition, the Group agreed to make a one-off contribution of £60,000,000 to the Ibstock Brick Limited pension scheme on completion of the transaction. As the transaction was conditional on the contribution being made the payment cannot be separated from the business combination and therefore, in accordance with IFRS 3, is treated as part of the acquirer's consideration paid for the business. The post-employment benefit obligation includes this £60,000,000 contribution.

Additionally, in accordance with the Share Sale Agreement (SSA), half of any tax relief, over a contracted amount, received by the acquired business as a result of the one-off pension payment, shall be payable to the seller. The fair value of the future obligation was estimated at £4,000,000, with a range being nil to £4,000,000.

As part of the purchase agreement with the previous owner of the acquired operations, half of all proceeds above a contracted amount, received by the acquired business on the sale of certain land assets in the future, shall be payable to the seller. Sale of land assets is in the control of the Group and accordingly is recognised in equity. Contingent consideration was recognised in relation to this, based on management's best estimate of £1,109,000 from an estimated range of nil to £3,800,000.

Transaction costs in relation to the acquisition of £9,392,000 were expensed and are included within administrative expenses.

From the date of acquisition, the acquired operations contributed £358,331,000 of revenue and £96,004,000 to profit before taxation of the Group. If the combination had taken place at the beginning of the financial statement period, revenue would have been £438,435,000 and profit before taxation of the Group would have been £80,383,000. To provide the users of the accounts with a comparable view of performance, we have analysed below the performance of the acquired entities from 1 January 2015 to 31 December 2015. The information for this period has been adjusted to include the impact of the fair value exercise and new financing structure as if it had been in place since the start of the period. The period ending 31 December 2014 has been included as comparative information, but has not been updated for the impact of the fair value exercise or financing structure following the acquisition.

	2015 £'000	2014 £'000
Revenue	412,828	373,233
Cost of sales before exceptional items	(255,035)	(255,333)
<b>Gross profit before exceptional items</b>	<b>157,793</b>	117,900
Exceptional cost of sales	(15,977)	-
<b>Gross profit</b>	<b>141,816</b>	117,900
Distribution costs	(34,108)	(34,601)
Administrative expenses before exceptional items	(44,841)	(37,922)
Other administrative exceptional items	(24,329)	(5,355)
<b>Net administrative expenses</b>	<b>(69,170)</b>	(43,277)
Negative goodwill on acquisition	124,191	-
Profit/(loss) on disposal of property, plant and equipment	(1,399)	492
Other income	3,474	3,709
Other expenses	(816)	(1,051)
<b>Operating profit</b>	<b>163,988</b>	43,172
<b>EBITDA before exceptional items</b>	<b>107,014</b>	64,993
Less/add exceptional items	83,885	(5,355)
Less/add profit/(loss) on disposal of property, plant and equipment	(1,399)	492
Less depreciation and amortisation	(25,512)	(16,958)
<b>Operating profit</b>	<b>163,988</b>	43,172

## 25. Share incentive plans

### (a) Old scheme arrangements held by subsidiaries on acquisition

The acquisition of the trading entities of the Group on the 26 February 2015 triggered a modification to certain existing share incentive plans. The schemes in place became cash settled on acquisition and the respective liabilities of these awards have been accounted within the fair value of net assets acquired.

### (b) Management equity arrangements issued on acquisition

#### Ordinary B shares options

On 26 February 2015 certain members of management were issued with 80,000 ordinary B shares in Figgs Topco Limited for a consideration of £7.55 per share. See Note 22 for details of the share reorganisation which took place in the period.

B shareholders are entitled to a certain percentage of any proceeds received in the event of a sale of the business. The percentage receivable is dependent on the level of return on investment made by the ultimate parent and can range from 0% to 12.5%.

Holders of vested B shares are entitled to receive the proceeds as set out above, holders of unvested B shares are only entitled to ever receive the original equity cost paid by management for the shares at grant. Provided that the holder remains in employment a proportion of the shares vest on each anniversary from grant until the fifth anniversary when all awards will have vested. All unvested awards will automatically vest on an exit event.

	Number of awards
At the beginning of the period	-
Granted	80,000
Vested	(80,000)
At the end of the period	-

The fair value of the awards at the date of grant has been measured using a binomial option pricing model which takes into account a number of possible outcomes and weights the likelihood of each.

	Assumptions
Term	1-3 years
Equity price	£7.55
Risk-free rate	0.56%-0.77%
Volatility	400%
Dividend yield	0%
Fair value per share	£12.97
Subscription price	£7.55

These options vested in full on IPO and the total charge for the period relating to the management equity issued on acquisition is £434,000.

## Notes to the financial statements

continued

### (c) New employee arrangements issued on IPO

Following the IPO of the Group on 27 October 2015, the Group entered into a new share incentive plans; the Ibstock plc Long Term Incentive Plan (the 'LTIP'), the Ibstock plc Annual and Deferred Bonus Plan (the 'ABP') and the Ibstock plc Share Option Plan (the 'SOP'). In addition, the Group has also established three all-employee share incentive plans, the Ibstock plc Share Incentive Plan (the 'SIP') and the Ibstock plc Sharesave Plan (the 'SAYE'). The LTIP, ABP and SOP are, together, the 'Discretionary Plans', and the Discretionary Plans, the SIP and the SAYE, together, the 'New Plans'.

The Group recognised total expense in the consolidated statement of income of £765,000 relating to the new employee arrangements issued on IPO during the period.

#### (i) LTIP

The Group has introduced a LTIP during the period for key management at the discretion of the Board and this has been approved by the shareholders at the General Meeting. Awards under the scheme are granted in the form of nil-priced share options. As part of the IPO process, 337,665 number of shares were issued and immediately vested. The full loss of £723,000 has been treated as exceptional in the current period.

#### (ii) SOP

The Group has introduced a Share Option Plan during the period for all eligible employees at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. Awards under the scheme have a specified exercise price with an employment condition of three years. The total number of awards issued under this scheme during the period equalled 848,312.

#### (iii) SAYE

In order to participate in the 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. The total number of awards issued under this scheme during the period equalled 3,416,496.

The assumptions used to calculate the fair value of the LTIP, SOP and SAYE awards during the period are detailed below:

	LTIP	SOP	SAYE
Grant date	04-Dec-15	04-Dec-15	10-Dec-15
Share price at grant date	2.14	2.14	2.11
Exercise price	–	2.12	1.52
Number of shares issued	337,665	848,312	3,416,496
Vesting period	Immediately	3 years	3 years
Pricing model	Binomial	Binomial	Binomial
% expected to vest	100%	95%	95%
Expected share price volatility	n/a	27.38%	27.38%
Expected dividend yield	n/a	3.26%	3.26%
<b>Fair value per share</b>	<b>2.14</b>	<b>0.43</b>	<b>0.59</b>
Risk-free rate	0.89%	0.89%	0.89%

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.

The following post-IPO awards were issued and the number of awards granted during the period is yet to be determined.

#### (iv) ABP

The ABP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over ordinary shares. The ABP will operate in respect of the annual bonus earned for the financial period with a mandatory maturity of 50% of the annual bonus deferred into shares, with the first deferred awards over ordinary shares under the ABP to be made in 2016. The awards will have a £nil exercise price with an employment condition of three years.

#### (v) SIP

The Company introduced a Share Incentive Plan on flotation. All employees were entitled to apply for free shares up to a value of £800 depending on their period of service, although the offer was declined by the Executive Directors. The number of shares issued is yet to be determined however is considered to be wholly immaterial in the current period.

## 26. Operating leases and commitments

### The Group as lessee

Commitments under non-cancellable operating leases due are as follows:

	31 December 2015		
	Land and buildings £'000	Other £'000	Total £'000
Within one year	2,553	3,744	6,297
Between two and five years	8,188	6,099	14,287
After five years	20,898	80	20,978
	<b>31,639</b>	<b>9,923</b>	<b>41,562</b>

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. £2,500,000 of the non-cancellable operating leases relate to the leased assets above.

### The Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2015 £'000
Within one year	561
Between two and five years	818
After five years	1,391
	<b>2,770</b>

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 but not yet incurred at the balance sheet date is as follows:

	31 December 2015 £'000
Amount contracted for which has not been provided	64,553

## 27. Notes to the Group cash flow statement

	Notes	Period ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>		
Profit before taxation		94,705
Adjustments for:		
Depreciation of property, plant and equipment		15,885
Amortisation of intangible assets		5,439
Negative goodwill on acquisition	4	(124,191)
Unwind of inventory fair value	4	15,977
Finance costs	7	68,943
Loss on disposal of property, plant and equipment	4	1,403
Other		118
Share based payments		1,199
Deferred income		(179)
Post-employment benefits		(1,556)
		<b>77,743</b>
(Increase)/decrease in inventory		(8,989)
Decrease/(increase) in debtors		19,543
Increase/(decrease) in creditors		3,123
Increase/(decrease) in provisions		147
<b>Cash generated from operations</b>		<b>91,567</b>



## Notes to the financial statements

continued

### 28. Group subsidiaries

Ibstock plc had the following subsidiaries as at 31 December 2015:

Entity	Principal activity	Country of incorporation	Proportion of ordinary shares held directly by the Parent	Proportion of ordinary shares held by the Group
Figgs Topco Limited <sup>*^</sup>	Holding company	UK	100%	100%
Figgs Midco Limited <sup>*</sup>	Holding company	UK	100%	100%
Figgs Newco Limited <sup>*</sup>	Holding company	UK	100%	100%
Ibstock Building Products Limited <sup>*</sup>	Holding company	UK	100%	100%
Figgs Bidco Limited <sup>*</sup>	Holding company	UK	100%	100%
Figgs Bidco 2 Limited <sup>*</sup>	Holding company	UK	100%	100%
Ibstock Group Limited	Holding company	UK	100%	100%
Forticrete Ltd	Manufacturer of concrete products	UK	100%	100%
Home Building Supplies Ltd	Sale and distribution of building materials	UK	100%	100%
Baldwin Industries Ltd	Holding company	UK	100%	100%
Anderton Concrete Products Ltd	Manufacturer and supplier of precast and prestressed concrete products	UK	100%	100%
Oakhill Holdings Ltd	Holding company	UK	100%	100%
Supreme Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	UK	100%	100%
Gee-Co Holdings Ltd	Dormant	UK	100%	100%
Ibstock Brick Holding Company Ltd	Holding company	UK	100%	100%
Ibstock Brick Ltd	Brick manufacturer	UK	100%	100%
Ibstock Leasing Ltd	Dormant	UK	100%	100%
Ibstock Management Services Ltd	Dormant	Jersey	100%	100%
Ibstock Finance Co Ltd	Dormant	Jersey	100%	100%
Kevington Building Products Ltd	Dormant	UK	100%	100%
Ibstock Brick Leicester Ltd	Dormant	UK	100%	100%
Ibstock Brick Aldridge Ltd	Dormant	UK	100%	100%
Ibstock Brick Himley Ltd	Dormant	UK	100%	100%
Ibstock Westbrick Ltd	Dormant	UK	100%	100%
Ibstock Brick Aldridge Property Ltd	Dormant	UK	100%	100%
Moore & Sons Ltd	Dormant	UK	100%	100%
Manchester Brick & Precast Ltd	Dormant	UK	100%	100%
Ibstock Brick Nostell Ltd	Dormant	UK	100%	100%
Ibstock Brick Roughdales Ltd	Dormant	UK	100%	100%
Ibstock Brick Cattybrook Ltd	Dormant	UK	100%	100%
Ibstock Hathernware Ltd	Dormant	UK	100%	100%
Ibstock Bricks (1996) Ltd	Dormant	UK	100%	100%
Wealdbeam Systems Ltd	Dormant	UK	100%	100%
Loopfire Systems Ltd	Dormant	UK	100%	100%
Glen-Gery Corporation	Brick manufacturer	USA	100%	100%
Landmark Stone Products LLC	Stone manufacturer	USA	100%	100%
Redfield Quarry LLC	Dormant	USA	100%	100%

The country of incorporation is the same as the place of business for all the above entities.

\* These companies were incorporated on 28 November 2014 with the exception of Figgs Bidco 2 Limited which was incorporated on 30 January 2015.

^ Figgs Topco Limited 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. The Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

As at 31 December 2015, the Group held a 100% beneficial interest in the ordinary shares of Figgs Topco Limited, which it acquired as part of the reorganisation prior to admission onto the official list of the London Stock Exchange, which took place on 27 October 2015 (see Note 1). Legal ownership of the Figgs Topco Limited's share capital has transferred to Ibstock plc on 9 February 2016.

## 29. Related party transactions

	Transaction amount for period ended December 2015 £'000
<b>Purchase of services:</b>	
Bain Capital Partners LLC	<b>8,995</b>

Diamond (BC) S.à r.l owned a majority shareholding of the Group prior to completion of the IPO transaction. Diamond (BC) S.à r.l, a wholly owned subsidiary of Bain Capital Partners LLC, was therefore the immediate parent of the Group and Bain Capital Partners LLC was the ultimate parent and ultimate controlling party of the Group prior to the IPO transaction. On 27 October 2015, its shareholding reduced to 53.03% and on 4 November 2015, its shareholding reduced to 47.03% following the exercise of an over-allotment option in respect of 24,330,000 ordinary shares.

Subsequent to 4 November 2015 and as at 31 December 2015 the Board of Directors of the Company, consider, based on the facts and circumstances, that Diamond (BC) S.à r.l has significant influence over, but does not control the Group.

The shareholder loan notes held by the Group during the period (Note 7) which were owed to Diamond (BC) S.à r.l, a subsidiary of Bain Capital Partners LLC, were converted to ordinary shares. The preference shares held by Diamond (BC) S.à r.l and converted to ordinary shares are disclosed in Note 22. There are no balances with Bain Capital Partners LLC at the period end date.

During the period Figgs Topco Limited issued 10,000,000 'A' shares to Diamond (BC) S.à r.l (wholly owned by Bain Partners LLC). Additionally, Ibstock plc issued 50,000 ordinary shares on incorporation to Diamond (BC) S.à r.l (wholly owned by Bain Partners LLC). 'A' shares were converted as part of the Group reorganisation during the year. See Note 22.

Transactions with related parties during the period also include management subscriptions for shares of £0.6m, see Note 25 and the Directors' remuneration report on pages 56 to 78.

See Note 6 for details of key management personnel remuneration.

During the period, an interest free loan totalling £346,000 was outstanding from a UK director of a UK subsidiary company that was provided for relocation purposes. This has been paid back to the Group before year end.

## 30. Contingent liabilities

Contingent liabilities were provided for on acquisition in line with IFRS 3. See Note 24 for further details. There are no further contingent liabilities as at 31 December 2015.

## 31. Post balance sheet events

The Directors are proposing a final dividend in respect of the financial period ended 31 December 2015 of 4.4 pence per ordinary share which will distribute an estimated £17,800,000 of shareholders funds. It will be paid on 3 June 2016 to those shareholders who are on the register at 6 May 2016 subject to approval at the Company's Annual General Meeting.

Since the balance sheet date no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified.

# Company balance sheet

(prepared in accordance with UK GAAP – FRS 102)  
as at 31 December 2015

	Notes	31 December 2015 £'000
<b>Fixed assets</b>		
Investments	4	484,195
<b>Current assets</b>		
Debtors	5	98,404
Cash at bank and in hand		50
		98,454
<b>Creditors – amounts falling due within one year</b>	6	<b>(15,649)</b>
<b>Net current assets</b>		<b>82,805</b>
<b>Total assets less current liabilities</b>		<b>567,000</b>
<b>Net assets</b>		<b>567,000</b>
<b>Capital and reserves</b>		
Called-up share capital	10	4,055
Share premium account		–
Profit and loss account		562,945
<b>Total equity</b>		<b>567,000</b>

The notes on pages 126 to 131 are an integral part of these financial statements.

These financial statements were approved by the Board on 10 March 2016 and were signed on its behalf by:

**W Sheppard**  
Director

**K Sims**  
Director

# Statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Share based payments £000	Retained earnings £'000	Total equity £'000
<b>Balance as at 28 November 2014</b>		-	-	-	-	-
Loss for the period		-	-	-	(11,530)	(11,530)
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the financial period</b>		-	-	-	(11,530)	(11,530)
<b>Transactions with owners:</b>						
On incorporation	10	50	-	-	-	50
Capital reorganisation	10	482,668	-	-	-	482,668
Share based payments	9	-	-	765	-	765
Shares issued in the period	10	526	99,473	-	-	99,999
Share issue costs	10	-	(4,952)	-	-	(4,952)
Share and share premium capital reduction	10	(479,189)	(94,521)	-	573,710	-
<b>Transactions with owners</b>		4,055	-	765	573,710	578,530
<b>Balance at 31 December 2015</b>		<b>4,055</b>	<b>-</b>	<b>765</b>	<b>562,180</b>	<b>567,000</b>

The notes on pages 126 to 131 form an integral part of these financial statements.

# Cash flow statement

	Notes	31 December 2015 £'000
Cash generated from operations	8	(9,345)
Net cash outflow from operating activities		(9,345)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of equity shares	10	100,049
Equity issue costs	10	(3,202)
Net cash inflow from financing activities		96,847
Loans to/from Group companies	5/6	(87,452)
Net cash outflow from investing activities		(87,452)
<b>Net increase in cash and cash equivalents</b>		<b>50</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>-</b>
<b>Cash and cash equivalents at end of period</b>		<b>50</b>

The notes on pages 126 to 131 form an integral part of these financial statements.



# Notes to the Company financial statements

## 1. General background

Ibstock plc was incorporated on 3 September 2015 to serve as a holding company for the purposes of listing on the London Stock Exchange. Ibstock plc was admitted to public trading on 27 October 2015. These financial statements form the Company's first period of accounts and the first period as ultimate holding company for the Group following its acquisition of Figgs Topco Limited and the Group subsidiary companies.

## Summary of significant accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS102') and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain key estimates and assumptions. It also requires management to exercise its judgement in the process of applying Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed.

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 Company'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 36 to 37. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 79 to 80.

The Company regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result it believes its trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Company and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Company the Board has concluded that a going concern basis of preparation of its financial statements is appropriate.

In addition, see the Group's Viability Statement set out on page 35.

### FRS 102 – First time adoption

These financial statements for the period ended 31 December 2015 are the first set of financial statements the Company has prepared in accordance with FRS 102. As the Company has not previously prepared financial statements, no transition exemptions or exceptions have been applied and no reconciliations are presented.

### 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. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments.

### 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) Price risk, credit risk, liquidity risk and cash flow risk

##### Foreign exchange risk management

The Company primarily trades 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 period comprises current and deferred tax recognised in the reporting period. 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.

### (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 period 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 period 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.

## Foreign currency

### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sterling (£), which is the Company's functional and 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. 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.

## Critical accounting judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

## Estimates

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 involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### Taxation

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 a material impact on the tax charge and profit for the period in which such a determination is made.

### Judgements

Judgements are made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

### Impairment of non-current assets

Determining whether non-current assets are impaired requires judgement and estimation. The Company periodically reviews non-current assets, for possible impairment when events or changes in circumstances indicate, in management's judgement, that the carrying amount of an asset may not be recoverable. Such indicating events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows.

The Company did not record any impairment charges during the period ended 31 December 2015 as management's judgement, based on a rigorous assessment, was that there were no indicators of impairment.

### Deal costs

Deal costs of £5.0m were offset against the share premium of £99.5m created on the issue of shares during the period. Management has exercised judgement in assessing the allocation of deal costs incurred between equity and the current period income statement.

## 2. Result for the financial period

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 financial period was £11,530,000.

# Notes to the Company financial statements

continued

### 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 74 to 78. For further details of Directors Remuneration, refer to Note 6 of the Group financial statements.

	Period ended 31 December 2015 £'000
<b>Key management compensation</b>	
Salaries and other short-term employee benefits	419
Post-employment benefits	11
	<b>430</b>

Share based payments of £765,000 have been included within fixed asset investments during the period (see Note 4).

### 4. Fixed asset investments

	Period ended 31 December 2015 £'000
Additions – ordinary shares in subsidiary undertakings	435,801
Additions – A preference shares in subsidiary undertakings	47,629
Additions – fair value of share incentives issued to Group employees	765
	<b>484,195</b>

Preference shares include accreted interest of £762,000.

### 5. Debtors

	Period ended 31 December 2015 £'000
Amounts owed by subsidiary undertakings	98,250
Current tax receivable	154
	<b>98,404</b>

The loan receivable is unsecured, repayable on demand and accrues interest at a rate of 8% per annum. Interest only starts accruing once the loan is called for repayment and is payable on the repayment date.

### 6. Creditors – amounts falling due within one year

	Period ended 31 December 2015 £'000
Trade creditors	–
Amounts owed to subsidiary undertakings	10,798
Accruals and other creditors	4,851
	<b>15,649</b>

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free.

## 7. Financial instruments

The Company has the following financial instruments:

	Loans and receivables 31 December 2015 £'000
Financial assets that are debt instruments measured at amortised cost:	
Amounts owed by subsidiary undertakings	98,250
Cash and bank balances	50
	<b>98,300</b>

	Loans and payables 31 December 2015 £'000
Financial liabilities measured at amortised cost:	
Amounts owed to subsidiary undertakings	10,798
Accruals and other creditors	4,851
	<b>15,649</b>

The Company has no derivative financial instruments. The fair value of the financial instruments is equal to their carrying values.

## 8. Notes to the cash flow statement

	Period ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>	
Loss before taxation	(11,685)
<b>Preference dividend</b>	<b>(761)</b>
Increase in creditors	3,101
<b>Cash generated from operations</b>	<b>(9,345)</b>

## 9. Share based payments

Following the IPO of the Group on 27 October 2015, the Company entered into new share incentive plans including the Ibstock plc Long Term Incentive Plan (the 'LTIP') for key management which was approved by the Board at Annual General Meeting. Awards under the LTIP scheme are granted in the form of nil-priced share options and, as part of the IPO process, 337,665 number of shares were issued on 4 December 2015 and immediately vested. The shares have been valued using a binomial model, with a price of £2.14 at grant date and a fair value of £2.14. The full share based payment charge relating to the LTIP of £723,000 has been capitalised in the current period.

The Company capitalised a total charge of £765,000 relating to the new employee arrangements issued on IPO during the period. As the numbers of shares or options granted or outstanding under other plans and the related charge to the Company are not significant, no further disclosures are included within these Company financial statements. See Note 25 of the Group financial statements for further information.



# Notes to the Company financial statements

continued

## 10. Called up share capital

	Number of shares	Share capital £'000	Share premium £'000
Issued, called up and fully paid:			
Ordinary shares of £1 each	50,000	50	–
<b>Total share capital on incorporation on 3 September 2015</b>	<b>50,000</b>	<b>50</b>	<b>–</b>
<b>Consolidation of shares followed by designation into A ordinary shares</b> (50,000 ordinary shares of £1 each into 6,250 ordinary shares of £8 each)	6,250	50	–
<b>Capital reorganisation involving:</b>			
<i>(i) Allotment of shares as part of the share for share exchange</i>			
A ordinary shares of £8 each	9,993,750	79,950	–
B ordinary shares of £8 each	80,000	640	–
A preference shares of £8 each	43,250,000	346,000	–
B preference shares of £8 each	7,009,738	56,078	–
Deferred shares of £0.01 each	648	–	–
	60,334,136	482,668	–
<b>Total share capital following the share for share exchange</b>	<b>60,340,386</b>	<b>482,718</b>	<b>–</b>
<i>(ii) Sub-division of ordinary and preference shares from £8 each into £0.01 each</i>			
A ordinary shares of £0.01 each	8,000,000,000	80,000	–
B ordinary shares of £0.01 each	64,000,000	640	–
A preference shares of £0.01 each	34,600,000,000	346,000	–
B preference shares of £0.01 each	5,607,790,400	56,078	–
	48,271,790,400	482,718	–
Deferred shares of £0.01 each	648	–	–
<b>Total share capital following the sub-division of shares</b>	<b>48,271,791,048</b>	<b>482,718</b>	<b>–</b>
<i>(iii) Redesignation of shares into ordinary and deferred shares of £0.01 each</i>			
Ordinary shares of £0.01 each	352,868,422	3,529	–
Deferred shares of £0.01 each	47,918,922,626	479,189	–
<b>Total share capital immediately prior to IPO</b>	<b>48,271,791,048</b>	<b>482,718</b>	<b>–</b>
<b>Ordinary shares of £1 each issued in the primary offering</b>	<b>52,631,578</b>	<b>526</b>	<b>94,521</b>
Total share capital following primary offering			
Ordinary shares of £0.01 each	405,500,000	4,055	94,521
Deferred shares of £0.01 each	47,918,922,626	479,189	–
<b>Total share capital on IPO</b>	<b>48,324,422,626</b>	<b>483,244</b>	<b>94,521</b>
Capital reduction	(47,918,922,626)	(479,189)	(94,521)
<b>At 31 December 2015</b>	<b>405,500,000</b>	<b>4,055</b>	<b>–</b>
<b>Comprised of:</b>			
Issued, called up and fully paid:			
Ordinary shares of £0.01 each	<b>405,500,000</b>	<b>4,055</b>	<b>–</b>

For further details refer to the Group financial statements Note 22.

**11. Contingent liabilities**

The Company has guaranteed all Group bank borrowings as detailed in Note 18 of the Group financial statements.

**12. Controlling party**

The ultimate parent company and the smallest and largest group to consolidate these financial statements is Ibstock plc.

There is no ultimate controlling party – see Note 29 of the Group financial statements.

**13. Related party transactions**

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. See Note 29 of the Group financial statements.

Share awards to key management personnel resulted in an amount of £723,000 in the period, which has been taken to fixed asset investment. See Note 9, 'Share based payments', for further details.

During the period IPO related transaction costs totalling £4,320,000 were charged by Bain Capital Partners LLC to the Company.

**14. Dividend**

The Directors are proposing a final dividend in respect of the financial period ended 31 December 2015 of 4.4 pence per ordinary share which will distribute an estimated £17,800,000 of shareholder's funds. It will be paid on 3 June 2016 to those shareholders who are on the register at 6 May 2016 subject to approval at the Company's Annual General Meeting.

# Additional information

## Board of Directors

Jamie Pike (Non-Executive Chairman)  
Jonathan Nicholls (Senior Independent Non-Executive Director)  
Tracey Graham (Independent Non-Executive Director)  
Lynn Minella (Independent Non-Executive Director)  
Michel Plantevin (Non-Executive Director)  
Matthias Boyer Chammard (Non-Executive Director)  
Wayne Sheppard (Chief Executive Officer)  
Kevin Sims (Chief Financial Officer)

## Company Secretary

Robert Douglas

## Auditors

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No. 1 Colmore Square  
Birmingham  
B4 6HQ

## Joint corporate brokers

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UBS Limited  
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(Calls cost 12 pence per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate). Lines are open between 9:00 a.m. – 5:30 p.m., Monday to Friday, excluding public holidays in England and Wales.

## Company registration number

09760850

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# IBSTOCK PLC

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