

More than a UK brick maker



Financial highlights

Revenue +5%

£435m

Adjusted EBITDA¹ +4%

£112m

Statutory reported profit
before taxation +29%

£111m

Statutory EPS² -32%

22.3p

Net debt³ -8%

£133m

Dividend per share +20%

5.3p

Movements in revenue and adjusted EBITDA represent the current year figures compared to the 12-month trading result for the year ended 31 December 2015, which differs from our statutory reported numbers for 2015. A full reconciliation is included in Note 3 to the Group consolidated financial statements.

1 – Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. A full reconciliation is included at the foot of the Consolidated statement of comprehensive income within the financial statements.

2 – Movement in statutory EPS is impacted by the weighted average number of shares in the comparative period.

3 – Net debt is defined as short and long-term borrowings less cash as at the balance sheet date.

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Ibstock today

Having completed our first full year as a listed business, we are pleased to report that 2016 marked another year of progress for your company:

- Profitability improved despite geopolitical events.
- Major capital investments were made to support future growth in the UK roofing and brick businesses.
- Future financing costs reduced due to the arrangement of new debt facilities.
- Continued strong cash generation allowed further debt reduction.
- Risk has significantly reduced with the closure of the UK pension scheme.

We therefore look forward to the future with optimism from the good foundations laid in 2016.

Group at a glance

Ibstock plc is a leading manufacturer of clay bricks and concrete building products with operations in the United Kingdom and the United States.

UK

IBSTOCK

Ibstock is the leading manufacturer by volume of clay bricks sold in the UK. With 19 manufacturing plants, Ibstock Brick has the largest brick production capacity in the UK. It operates a network of 23 active quarries which are generally located close to its manufacturing plants.

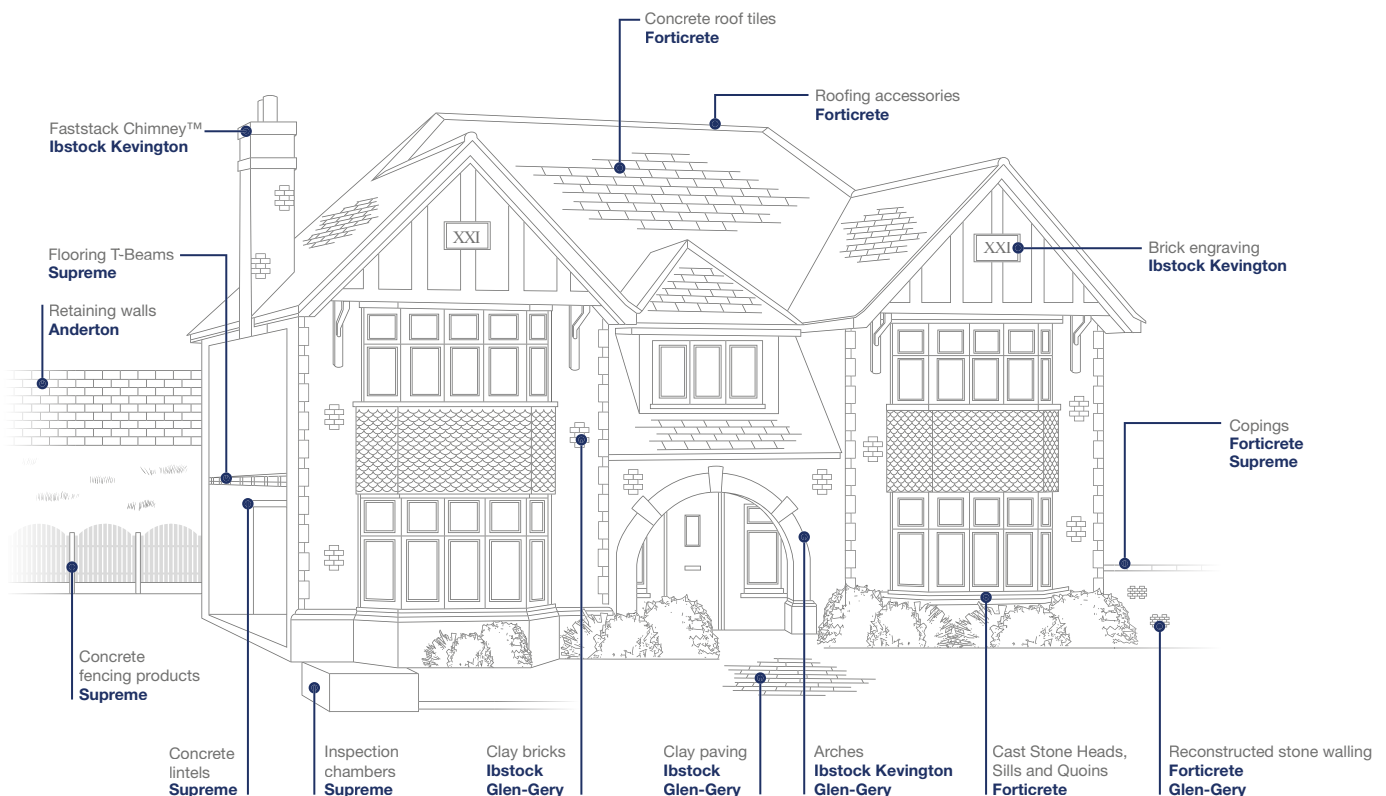
IBSTOCK KEVINGTON

Ibstock Kevington is the UK's biggest manufacturer of brick special shapes and components. The range includes prefabricated arches, chimneys and wall cladding systems designed to make using brick quick and easy.

Forticrete

Forticrete is a leading manufacturer of concrete substitutes for natural stone walling, dressings and concrete roof tiles, with seven manufacturing plants in the UK. Forticrete has invested in a new concrete roof tile manufacturing plant at its Leighton Buzzard facility, which has added c.5% to UK concrete roof tile market capacity.

Where our products get used



SUPREME

Supreme is a leading manufacturer of concrete fencing products, concrete lintels and general concrete building products, with seven manufacturing plants in the UK.

Anderton

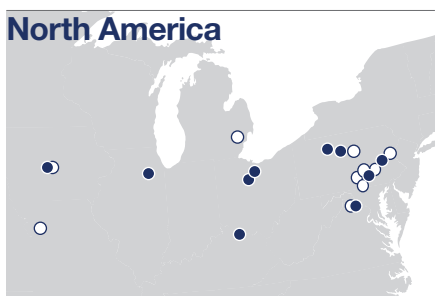
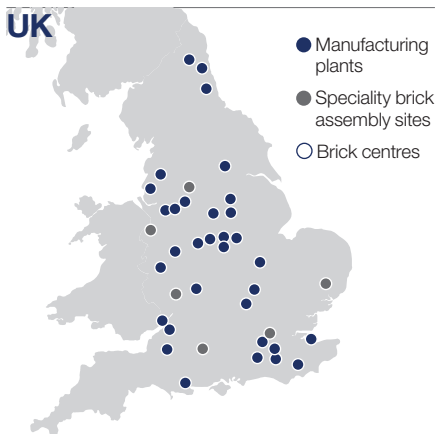
Anderton Concrete is the UK market leader in the supply of lineside cable housing systems for railway and infrastructure projects as well as a major supplier of retaining walling, fencing and structural components to the wider building industry.

Glen-Gery

Glen-Gery is a leading manufacturer of bricks by volume of despatches in the North East and Mid West regions of the United States, with a network of ten manufacturing plants, ten distribution centres and 29 active quarries, covered by 20 active quarry permits.

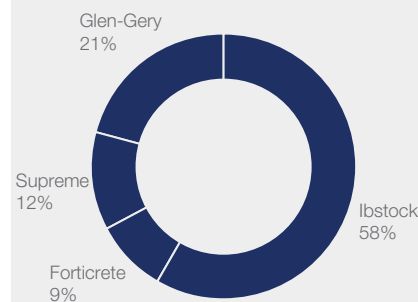
North America

Operations

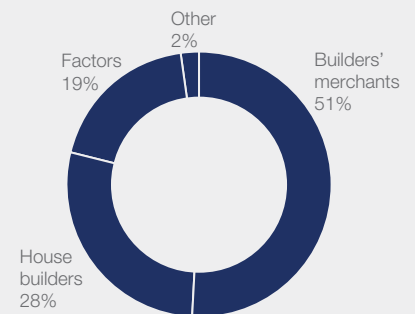


Key figures

Group revenue by subsidiary



Group revenue by end market



Capital expenditure on major investments

£44m

Return on capital employed

19%

Cash from operating and investing activities

£54m

Chairman's Statement



I am pleased to report another good set of results, which once again demonstrate the strength of the Group's business model and the strategy outlined last year.

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 UK Referendum on EU membership added some uncertainty to the UK market during the year, but we continue to believe firmly in the fundamentals which exist in that market and have maintained our strategy.

In 2016, the UK brick business experienced a marginal increase in volumes over the full year after lower first half volumes, primarily as a result of industry-wide destocking within the builders' merchant and distributor supply chain. This muted start to UK brick sales helped to emphasise the significant progress made in our concrete businesses whilst the strong performance of our US operations, partially due to the mild weather at the beginning of 2016, further demonstrated that we are much more than a UK brick manufacturer.

“I continue to believe that the Group is well prepared to benefit from the continuing demand for new housing.”

The market and our strategy

Housing market fundamentals in both of our key geographies remain positive, and I continue to believe that the Group is well prepared to benefit from the continuing demand for new housing.

During 2016, the Group has continued its strategy of growth through investment and product innovation, together with expansion of its existing product portfolios, which have been at the heart of its success over many years.

The construction of our new brick plant in Leicestershire continues at pace and is expected to be commissioned in the second half of 2017, whilst our new roof tile manufacturing plant at Leighton Buzzard became operational in the second half of 2016 in line with our plans.

Our strategy is discussed in more detail on pages 11 to 17.

Our results

Revenue for the year ending 31 December 2016 was £435 million and the profit after taxation for the year was £90 million with EPS of 22.3 pence. Our adjusted results saw an adjusted EBITDA of £112 million.

We have proposed a final dividend of 5.3 pence 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, corporate governance and our employees

I am proud of the great strides we made during 2016 in establishing robust governance arrangements within the Group. In February 2016, we appointed Tracey Graham and Lynn Minella to the Board. Both joined the Board's Remuneration Committee, Audit Committee and Nomination Committee, and Lynn became Chair of the Remuneration Committee. In January 2017, Justin Read also joined our Board as a Non-Executive Director. I am delighted to welcome all three 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 addition of two new Non-Executive Directors is just one area in which we have progressed along our corporate governance journey in 2016. I am pleased to present a significantly increased level of compliance with the UK Corporate Governance Code for 2016, as described more fully on pages 40 to 46.

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 over 50 years within the Building Products market.

The performance of the business, and our continued success, even during uncertain times, 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.



Governance
pages 40 to 76

Outlook

Looking back, the past year proved to be one of considerable change with the Referendum on European Union ("EU") membership in the UK and Presidential Election in the US. Our businesses navigated these uncertainties very effectively and I am confident that they will continue to do so as the full impacts of these major geopolitical events unfold over the next few years.

Forecasts for our key markets both in UK and US remain positive and we have invested in the UK to improve efficiency and meet increased demand. The fundamentals supporting demand for our products in UK remain unchanged and indeed the current government continues to demonstrate its commitment to delivering increased home building. In the US we have sufficient capacity to accommodate forecast increases in our key markets.

Following the debt refinancing and UK pension closure projects combined with positive market fundamentals and the strength and depth of our management teams, I remain confident that Ibstock will continue to deliver from the strong foundations laid in 2016 and I look to the future with confidence.

Jamie Pike
Non-Executive Chairman
7 March 2017

Our markets

The Group continues to hold the market-leading position within the UK market for clay bricks, together with leading market positions in UK concrete products and in the US regions within which the Group operates.

Our clay and concrete products are integral components to construction activity, particularly housing construction and Repairs, Maintenance and Improvement (“RMI”). Demand for our products is directly affected by developments in the construction markets in which we operate, as well as the general level of construction activity. 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.

The Group continues to hold the market-leading position within the UK market for clay bricks, together with leading market positions in UK concrete products and in the US regions within which the Group operates. In the UK, the three largest brick manufacturers accounted for approximately 90% of brick production in 2016. Our US operations are a regional leader in the clay products markets of the North East and Mid West where a number of regional and national manufacturers also operate. Conversely, many of the UK concrete markets which the Group operates in are fragmented.

During 2016, the UK’s Referendum on EU membership has clearly impacted these macroeconomic factors and, to an extent, the uncertainty as a result of the vote outcome remains. The US Presidential Election in November 2016 has similarly impacted the macroeconomic environment across the US and globally.

United Kingdom

Total Great Britain construction output is estimated at £136.6 billion in 2016 (a 1.6% increase compared to 2015). The Construction Products Association estimates Great Britain construction output growth of 0.8% in 2017 and 0.8% in 2018 as activity is expected to increase in the construction sector, but remain flat in private housing and fall back in certain other construction sectors including office, retail and factory construction.

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 UK Government’s white paper “Fixing our broken housing market” in February 2017 reiterates the consensus that we need from 225,000, to 275,000 or more, new homes in England each year to keep up with population growth and tackle the years of housing under-supply.

With an estimated 80% of new homes using bricks within their construction, increases in new housing volumes will directly impact the demand for our brick products.

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

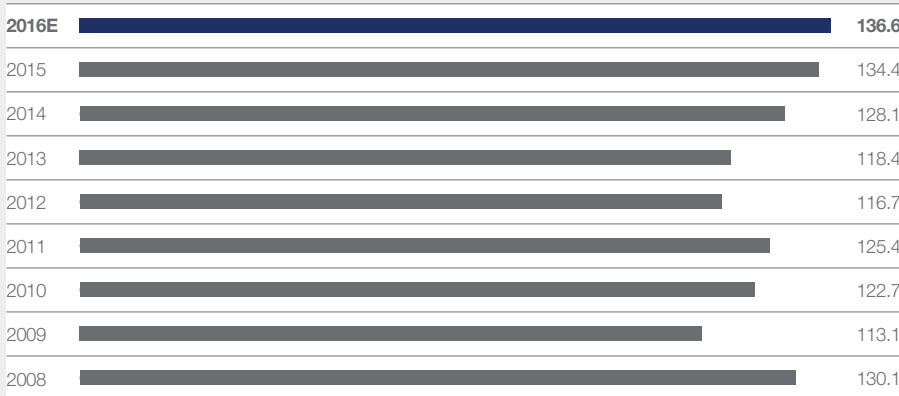
Total private residential RMI output in Great Britain in 2016 was worth approximately £17.4 billion and is forecast to remain flat in 2017 and reduce slightly in 2018 (Source: Construction Products Association). Historically, the RMI market has been more stable than housing starts. RMI remains primarily 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.

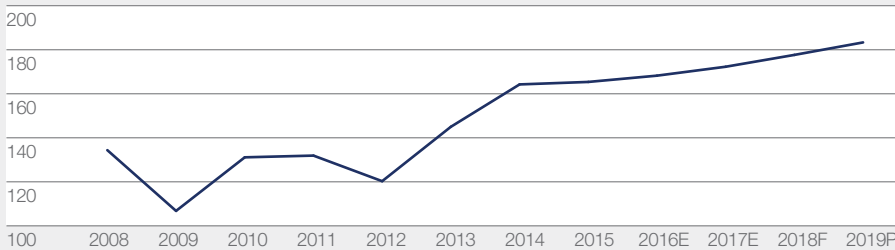
Housing starts in Glen-Gery’s primary markets fell sharply (approximately 68%) from a peak in 2005 through to 2009. Residential starts then increased with support from improvements in the economy and growth in employment. Housing starts in Glen-Gery’s primary US markets are forecast to increase by 4.7% in 2017, whilst the US is expected to see residential housing starts increase by 8.7% and 3.0% in 2017 and 2018, respectively. Non-residential construction starts in Glen-Gery’s primary markets are expected to be 1.3% higher in 2016, with growth of 6.9% and 6.8% forecast for 2017 and 2018, respectively.

Great Britain construction output £bn



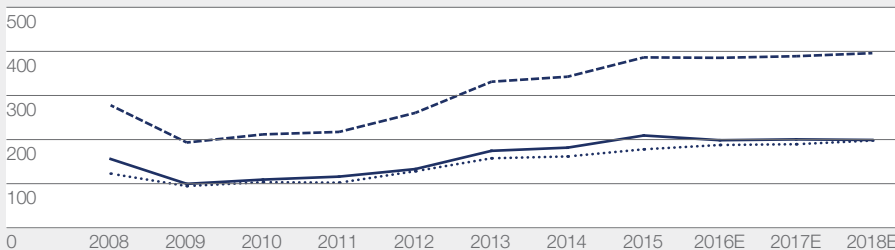
Source: Construction Products Association and Office of National Statistics.
E: Estimate

Great Britain housing starts '000s of starts



Source: Construction Products Association
E: Estimate F: Forecast P: Projected

United States housing starts in the Company's primary markets '000s of starts



North East —
Mid West
Total - - - - -

E: Estimate

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.

Brexit

The UK Referendum on EU membership, which took place on 23 June 2016, saw British citizens vote to leave the EU – the British exit (or “Brexit”). The Referendum disturbed global markets, including currencies, causing the British pound to fall to its lowest level in decades.

In the weeks immediately leading up to the Referendum, a slight reduction in UK clay sales volumes was experienced, however, we saw volumes return quickly to normal seasonal levels. In the immediate aftermath of the vote, markets reacted by marking down many sectors including housebuilding and associated building material supply sectors.

The Group has formulated a Brexit Committee to monitor developments and has devised contingency plans across its UK businesses to manage capacity and enable us to balance production with sales volumes, as necessary.

The next phase of the Brexit process is the UK triggering Article 50 of the Lisbon Treaty which, based on statements by UK Prime Minister Theresa May, would see the UK leave the EU before the summer of 2019 depending on exact negotiation timelines.

Management continues to recognise the uncertainties associated with the ongoing Brexit process and has introduced a specific principal risk.

34 Principal risks
pages 34 to 36

Chief Executive's Statement



“We therefore look forward to the future with optimism from the good foundations laid in 2016.”

2016 performance

Even though the year was marked by unpredictable market conditions, the Group made good headway in 2016. Revenue increased by 5%¹ to £435 million and adjusted EBITDA increased to £112 million (2015: £107 million). Despite the uncertainty arising from events such as the UK's EU Referendum and the US Presidential Election, the Group has delivered a result ahead of the prior year. We have improved our safety record, we've made excellent progress with our major projects, successfully implemented new IT systems in the US and put alternative pension arrangements in place in the UK, which will reduce the variability of the Scheme.

¹ – All movements compare to the 12-month trading result for the year ended 31 December 2015. A reconciliation to statutory results is included in Note 3 to the Group consolidated financial statements.

UK segment

Our UK segment experienced unforeseen market conditions during 2016. Whilst the new housing developer market showed further growth in 2016, destocking by builders' merchants held back brick sales volumes in the first half. Furthermore, in the weeks approaching the EU Referendum, we saw a slow down in sales across each of our UK businesses. However, within a month of the EU Referendum, sales volumes for all our UK businesses were comparable to the prior year and during the remaining summer months, volumes continued to track in line with the prior year before accelerating as the year drew to a close.

We announced in March that destocking was experienced within our UK brick business as merchant demand and supply rebalanced at new higher activity levels. As brick availability returned to normal levels, as industry production recovered from the financial crisis, merchant stockists were able to service their customers whilst keeping lower inventory levels and the

resultant destocking increased brick supply to the market. Brick volumes in the first half of the year were slightly below the prior year, although they recovered in the second half to give a full year slightly ahead of 2015.

Within our concrete businesses, which serve both the new build and Repair, Maintenance and Improvement (“RMI”) markets, we saw both volumes and margins above those of the prior year. Sales growth came from both the Supreme and Forticrete businesses with Supreme benefiting from healthy demand for its products in the domestic landscaping RMI sector, whilst Forticrete continued to grow its sales principally into the new build housing sector.

US segment

The Glen-Gery operations within the US delivered another year of progress. The year began positively, as the unusually mild winter weather experienced in our key regions during the first quarter of 2016 enabled an early start to the building year. As the strong first half volume growth flattened off as the year progressed, we saw a slower autumn period and, as we moved into the final months of the year, weather patterns returned to their normal seasonal trends. The US Presidential Election also impacted demand levels and we saw lower sales volumes as the election date approached. As a result, the year finished in line with our prior expectations. Our US operations benefited from foreign exchange movements, which increased revenue by £10.9 million and adjusted EBITDA by £1.5 million in 2016 compared to 2015.

Overall, 2016 was a year of strong progress for our US business with a good first half and a second half similar to that of the prior year. As the US new home market continues to recover, the housing mix continues to favour single family dwellings, as compared to the higher volumes of multi-family homes that were built during the difficult recession years. This switch favours brick demand. Additionally, Glen-Gery’s exposure to the non-residential construction market has served it well – with good activity levels and some significant projects completed in the retail and educational sectors during the year. We also saw the first signs of

Why invest in Ibstock?

Our five key strengths



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.



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.



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.



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.



Highly experienced management team

Our management team has extensive experience in the building products market and our Chief Executive Officer and Chief Financial Officer have combined experience of over 40 years at Ibstock.

Chief Executive's Statement continued

rationalisation within the US brick market, with the announcement in August of the creation of Meridian Brick – a North American Bricks joint venture between two of our competitors, Boral and Forterra.

Strategy and investment

I remain confident that our strategy is appropriate and that it provides the right basis for the Group to navigate through current uncertain market conditions and achieve longer-term growth. We continue to implement our strategy of investing in our core markets to improve productivity and quality, and to increase capacity, where required. We also continue to investigate range-expanding acquisition opportunities.

I am incredibly excited by the developments the Company is currently progressing. In particular, during the year, we made good progress with the two major capital projects announced at the time of our IPO.

We commissioned our new roof tile line at Leighton Buzzard in the fourth quarter and introduced the first of our new innovative roof tiles to the market. Capacity utilisation within the roofing market has reached very high levels and our new roof tile plant adds c.5% capacity to the UK market. The launch of the second tile format from this range is scheduled for early 2017. To date, the market reception of the new product has been excellent and its use in some early housing projects can be seen on page 26 as customers begin trialling the products with a view to making reservations for 2017 project builds.

In UK brick, our new 100 million per annum capacity brick factory in Leicestershire continues to progress well and is expected to be commissioned in the second half of 2017 as planned. Significant interest in brick supplies from the new factory has already been received from both housebuilders and merchants. The scale of our new factory, which will become the most efficient brick factory in UK, together with its construction progress since last year, can be seen on page 15.

Our KPI of Return on capital employed for the year reduced marginally as we invested in these major projects in advance of returns being delivered.

Towards the end of 2016, we began a project to remodel our Midlands blue brick factory at Cannock in Staffordshire with the introduction of a new state of the art kiln. Delivery of this project will improve both energy consumption and quality performance, but most importantly will increase our capacity in this geography by c.30%. Additionally, the results of our previous investments in walling and cast stone capacity at Forticrete enabled volumes to grow during 2016.

Customer service and Information Technology

The investments, noted above, are all aimed at improving the service we provide to our customers – meeting their needs through increased capacity, introducing innovative new products and enhancing existing product ranges. Additionally, we believe that Information Technology is a key component to customer service and we implemented a new ERP system into our US Glen-Gery business during the year. The transition to this system went exceedingly well and as it develops, we will enhance management information and offer even further improved customer service.

Our KPI for customer service (Net Promoter Score) declined by 2%pt. Analysis shows that customers marked us down due to extended delivery times for roof tiles and soft mud bricks at certain points in 2016. As discussed earlier, we have two major capital projects underway to improve our performance in these key areas of our product portfolio.

Our people

In order to roll-out our strategy, it is critical that we have appropriately skilled people and develop them to the best of their abilities. We continue to invest in our people; providing over 7,500 training days; often promoting our people into new roles with 23% of recruitment from internal candidates; and seeing our UK brick apprenticeship scheme grow to 40 apprentices this year as we look to the next generation of our workforce and the skills they will need.

We have made excellent progress with our safety record in 2016. Whilst the only acceptable target is zero accidents, our employee Lost Time Accidents (“LTAs”) have reduced from 21 incidents in 2015 to 16 in 2016 – a 24% reduction. However, our satisfaction with the good improvement is only marred by an increase in contractor accidents on our sites during the year.

In the UK, we consulted with employees regarding the closure of the Ibstock defined benefit pension scheme with members principally in Ibstock Brick and Forticrete. Our employees’ understanding and commitment was evidenced by the constructive consultation process recognising the Group’s need to move to more sustainable pension arrangements.

Overall summary

We enter 2017 with brick industry statistics recording a return to volume growth after a slower first half in 2016 for the market, and industry stock levels declining. In the UK, our developer customers are looking to increase their activity in 2017 and we expect to see normalised demand from our merchant customers now that their stock levels have returned to balance.

In the US, with the Presidential Election now behind us, forecasters expect our markets to continue to grow in the year ahead and we expect to see a continued steady improvement in our markets as the US economy settles.

The Group’s key strength lies in our committed and experienced employees and our ability to deliver strong cash flows. We therefore look forward to the future with optimism from the good foundations laid in 2016.

Wayne Sheppard
Chief Executive Officer
7 March 2017

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.

Our key strategic priorities

Safety

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



Working Safely
See pages 12 and 13

Invest

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



Continuing to Invest
See pages 14 to 15

Innovate

Penetrate markets through innovative products.



Driving Innovation
See pages 16 to 17



CERAMIC INDUSTRY
PLEDGE
HEALTH & SAFETY

STOP
THINK
ORGANISE
PROCEED
STOP

S

“The launch of our new “Concerns” initiative in the UK during 2016 is a further step to proactively address Health & Safety risks.”

16

Lost Time Accidents

The launch of our new “Concerns” initiative in the UK during 2016 is a further step to proactively address Health & Safety (“H&S”) risks across the Ibstock Group. The greater focus across all operational sites placed on the reporting and investigation of near misses should form the next stage in reducing accidents.

What we achieved in 2016

- A reduction in the number of Lost Time Accidents year-on-year to 16 incidents.
- The introduction of a new “Concerns” initiative aimed at identifying risk and near misses with the ultimate objective of minimising accidents.
- The completion of external audit training for the UK H&S team improving the standard of assessments completed.

Our objectives for 2017

- Continuing to identify and improve work practices to minimise accidents.

Relevant KPIs

- Lost Time Accidents



Read more: Safe working environment
See page 22

Working safely

Continuing to Invest

“This £54 million investment will be the most efficient brick factory in the UK.”

What we achieved in 2016

- The commissioning of the new roof tile line at our Forticrete factory in Leighton Buzzard.
- Progressed the construction of our new brick factory in Leicester in line with plans.
- Completion of our larger investments at the Supreme Barnwell and Ibstock Ravenhead locations.

Our objectives for 2017

- Commissioning of our major capital project of a soft mud brick factory at our Leicester site in 2H 2017.
- Investment in new kiln facilities at the Ibstock Lodge Lane factory.

Relevant KPIs

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



Read more: Other investment activity
See page 27

£43m

Capital expenditure to date

Construction of our new soft mud brick factory in Leicester is well advanced. When complete, this £54 million investment will be the most efficient brick factory in the UK.



st



42km

of piling used in its
construction

6

football pitches equals
total area of new factory

More than

20,000

tonnes of steel in its
production to date

st



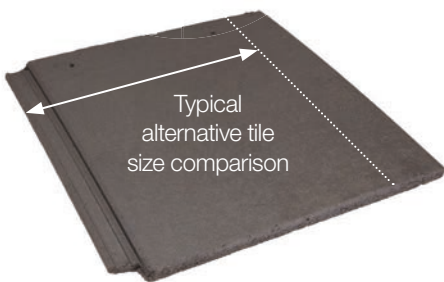
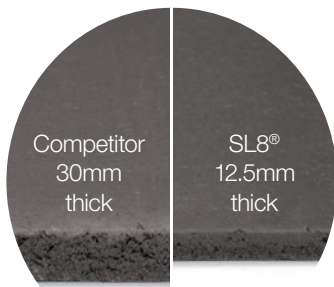


Driving Inno

“The launch of our new roofing tile line in the UK introduces the game-changing SL8® product to the market.”

20%
fewer tiles required

The launch of our new roofing tile line in the UK introduces the game-changing SL8® product to the market. The new tiles increase both time and cost efficiency during the construction process (using 20% fewer tiles compared to traditional roof tiles), whilst maintaining leading edge aesthetics.



What we achieved in 2016


- The commissioning of our new roofing tile line in Leighton Buzzard and the launch of our new SL8® roof tile to the UK market.
- The launch of our new “Perfect Outlet” marketing campaign within the Supreme business working alongside builders’ merchants to increase sales.

Our objectives for 2017

- The launch of our new PAN8® roof tile to the UK market – the second tile profile to be made on our new roofing tile line.
- Continuing to develop/acquire components or component businesses to complement our existing business.
- The Group continues to assess opportunities to broaden its components portfolio.

Relevant KPIs

- Revenue
- Net Promoter Score
- Return on capital employed
- Adjusted EBITDA
- Cash flow before major projects
- Lost Time Accidents

 Read more: Innovation
See pages 24 to 25

vation

Key performance indicators

Our KPIs are used consistently throughout our business – from assessing our strategic objectives to remunerating our key employees.

Revenue

£435m

↑ +5%¹ (2015: £413m)

What is it?

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

Why is this important?

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

Adjusted EBITDA

£112m

↑ +4%¹ (2015: £107m)

What is it?

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

Why is this important?

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

Cash flow before major projects

£98m

↑ +6%¹ (2015: £92m)

What is it?

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

Why is this 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 Score²

42%

↓ -2%pt (2015: 44%)

What is it?

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

Why is this important?

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

Adjusted EPS³**18.1p**
 +12% (2015: 16.5p)
What is it?

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

Why is this important?

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

Return on capital employed ("ROCE")**19.0%**
 -0.6%pt¹ (2015: 19.6%)
What is it?

The ratio of profit before interest, taxation and amortisation, after adjusting for exceptional items and fair value uplift amortisation and depreciation, to net assets and debt (excluding pension).

Why is this important?


ROCE 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 to adjusted EBITDA**1.19x**
 -0.16x¹ (2015: 1.35x)
What is it?

Net debt, comprising short and long-term borrowings less cash, over adjusted EBITDA (as defined overleaf). A reduction in the ratio represents a positive performance.

Why is this 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**16**
 -5 LTAs¹ (2015: 21)
What is it?

The number of Lost Time Accidents ("LTAs") exceeding one day across our Group's workforce during the year.

Why is this important?

Safety is a priority of Ibstock 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.

See "Chief Executive's Statement" and "Financial review" statements for discussion of KPIs.

1 – Movements compare to the 12-month trading result for the year ended 31 December 2015 (see Note 3 to the Group consolidated financial statements and the Financial review on page 28).

2 – Net Promoter, Net Promoter Score and NPS are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

3 – Our definition of adjusted EPS has been amended in 2016. The comparative has not been updated for the change in definition, see Note 11 to the Group consolidated financial statements for details.

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.

How we create value

The Directors believe that the Group's market-leading businesses place it in a strong position to benefit from the expected demand growth in the UK and in its regional markets in the US.

Extraction

Clay and shale used in our brick production process is sourced from clay pits 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 the US.

Procurement

The Group is a major customer for a number of key suppliers, which allows us to be efficient in our purchasing and transportation. Additionally, for the Group's concrete products, the main raw materials are bulky in nature and are locally sourced.

Product design

The Group continually seeks to improve the quality of its existing products and also introduce new products through innovation and investment in new technology. Its new product development programme works closely with customers and external sales to identify opportunities for new products.

Manufacturing process

The Group has the largest brick production capacity in the UK and has a strategic footprint across the UK and in the US markets in which it operates. We also have the most modern and innovative roof tile, and concrete fence post manufacturing facilities.

Technical support

As a manufacturer we stand out by employing five architects and a Computer Aided Design office to assist specifiers and customers in their designs and efficient use of our products.

Customer service

Ibstock plc sells its products to a diverse group of customers in the construction industry. Each business has its own sales team that is aligned by customer group and region in order to focus on key decision-makers and customers. This is monitored through extensive and regular customer satisfaction surveys.

Distribution

The Group's 43 principal manufacturing plants across the UK and US are strategically located close to main transportation links to facilitate distribution. In the UK, the Group offers an industry-leading next business day sample service which helps specifiers and customers to choose the right products for their projects.

Outputs

Shareholders

The Directors recognise the importance of rewarding our shareholders for their continued investment in the future of the Group. We view the risks to our dividend as intrinsically linked to the principal risks and uncertainties noted on pages 34 to 36, primarily those impacting the wider macroeconomic environment and the cyclical nature of the industry for building products. It is our objective to set out a clear dividend policy to enable stakeholders to assess both the case for investment and stewardship in holding the Board to account. Our dividend policy is set out in the Financial review on page 31.

Employees

The Group employs a large number of people across its operations and as described in the Resources and relationships section on pages 22 to 25, the development and progression of our employees is seen as key to the Group's long-term success. The Directors believe

that the employee share ownership encouraged by the Share Incentive and Save As You Earn programmes, together with the improved corporate governance they are able to demonstrate this year, are two of the ways in which the value flowing to the employee shareholders is increased.

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 five main customer groups for the Group's clay and concrete 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 housebuilders, 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 users or their specifier dictates the choice of product rather than the intermediary that actually purchases the product from the Group.

Communities

The Group interacts directly with the communities within which we operate. Our Resources and relationships section on pages 22 to 25, together with the Group's Environmental report, set out a number of examples of this interaction as the Group aims to be a "good neighbour" and contribute to those communities. Ibstock is a member of "Business in the Community".

Resources and relationships

Know-how
People
Plants and factories
Long-term relationships

22

Read more: Resources and relationships
See pages 22 to 25

How we create value



Extraction



Procurement



Product design



Manufacturing process

Hand crafted and mass produced



Technical support



Customer service



Distribution

Our brands

IBSTOCK

Ibstock Brick

Bricks and pavings



Glen-Gery

Bricks and walling stone

IBSTOCK KEVINGTON

Ibstock Kevington

Special shaped bricks, brickwork components and prefabricated systems

SUPREME

Supreme

Precast concrete products

Forticrete

Forticrete

Roof tiling, walling and cast stone

Anderton

Anderton Concrete

Concrete, building and infrastructure products

2

Read more on our brands.
See pages 2 and 3

Our key differentiators

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

Scale We have over 150 million tonnes of clay reserves, providing good support for production capacity of 1.2 billion bricks per annum across 28 clay and 15 concrete plants throughout the UK and US.

Long-standing customer relationships 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 and many of our long-standing customer relationships have lasted over 40 years.

Growing capacity We are investing in the latest technology to increase capacity and to meet the growing market demands.

Highly experienced management team Our management team has extensive experience in the building products market and our Chief Executive Officer and Chief Financial Officer have combined experience of over 40 years within the Group.

Outputs

Shareholders
Employees
Customers
Communities

Resources and relationships

Success can only be delivered through our people.

Our people, customers, shareholders and communities are key stakeholders, who are essential to our business model. Additionally, our lenders, pension schemes, suppliers, government and other regulatory bodies have an important relationship with the Group.

People

Safe working environment

It is a strategic priority to focus on safety in the workplace and Health and Safety ("H&S") is at the core of our operations. The Group employs over 2,500 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.

As a large employer in both the EU and the US, the Group must comply with the European Framework Directive on Safety and the Health at Work and the Occupational Health & Safety 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 all workers.

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.

During the year, the UK H&S team underwent external training to enhance their existing H&S audit skills, which has led to an updated audit protocol being developed. This protocol will ensure greater focus throughout the year on H&S and enable continuous improvement to be monitored through its links to our Safety Management System.

The Board continues to carefully monitor the Group's performance against our Lost Time Accidents KPI, and this focus has played a part in reducing this KPI measure over recent years.

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

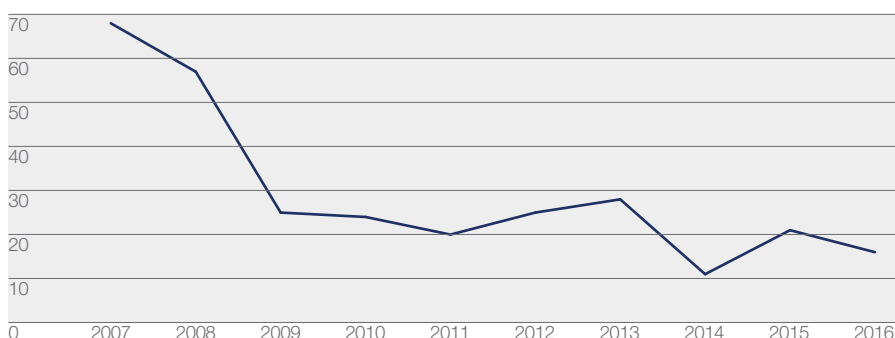
with the skills and experience necessary to deliver the Group's business objectives both now and into the future. In 2016, over 7,500 days of training were provided to the Group's employees and we deliver a comprehensive development programme covering a range of topics from operational skills improvement through to modular and structured Leadership Programmes to support our succession plans. Over 20% of vacancies were filled from internal promotions ensuring our people are able to fulfil their career aspirations and we retain their in-depth-skills and knowledge of our customers and operations, which is one of the key reasons for our continued success.

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

Equality and diversity

We recognise the unique contribution of each and every person that we employ and aspire to provide a workplace where everyone can thrive. 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.

Number of Lost Time Accidents by year





The Ibstock Brick University

As the Ibstock Brick University (“IBU”) approaches its 20th year it can look to an alumnus of almost 500 employees and customers who have undergone its extensive five day training into the manufacture, uses and sales of brick. Originally, it was created to ensure that all new Ibstock personnel met the high standards of product knowledge and expertise that has always been at the heart of the Ibstock approach to customers and specifiers.

The training is unique in the industry, its scope covers a detailed understanding of the different types of clay brick manufacturing techniques, the technical properties of bricks, the use of special shaped bricks along with a thorough understanding of the build process as well as technical drawings, site issues and much more!

Such has been the popularity and high regard of the training offered by Ibstock that many of its customers have sent their key personnel on the course, so much so that training places are now booked 12 months ahead!

Running in parallel to the IBU is the Ibstock Customer Service University (“ICSU”). Over the past 16 years this has provided in-depth and detailed training in the use and application of Ibstock products especially tailored to the needs of the customer service team. Split into three levels, these intensive three-day courses have made a major contribution to Ibstock’s industry-wide reputation for customer service and care.

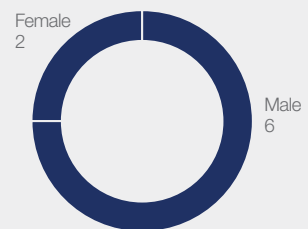
We believe that by providing a harmonious working environment all employees should be able to maximise their potential and contribute to our success.

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 role, every effort will be made to provide retraining for alternative employment within the Group or elsewhere.

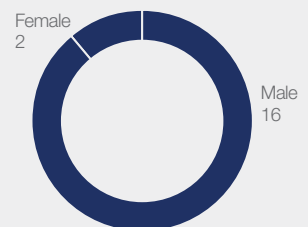
We are committed to identifying and eliminating discriminatory practices, procedures and attitudes and we expect all employees, officers, consultants, contractors, casual workers and agency workers to support our commitment and assist in all possible ways to prevent discrimination.

Gender split across the Group

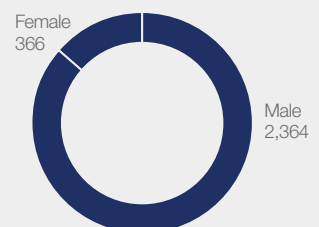
Company Directors



Senior managers



All employees



Resources and relationships continued

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. Key to our success is retaining employees who build long-term relationships with our customers and we are proud that our employee retention levels are high. In 2016, our retention rate was 92% and, when combined with our service profile, demonstrates a sustainable organisation where people feel valued and believe we are a good employer.

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. 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 team meetings; 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. There has been a great level of participation from Ibstock employees, with 46% of eligible staff choosing to enrol in the 2015/16 SAYE scheme.

Innovation

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.

In 2016, within Ibstock Brick we added 40 new bricks to our range resulting in close to £10 million sales. The UK brick range is already the most extensive in the market and our innovative focus to expand the colour, size and texture options available, as well as entering new markets, continues to ensure that our range remains market leading.

Further examples of innovative products and concepts developed during 2016, include: the Supreme "Scorpion clip" anti-theft device within our fencing range; the "Perfect Outlet" marketing concept where working with our builders' merchant customers we offer an approach which helps us sell more together; and our market changing new roof tile within Forticrete (showcased on pages 16 and 17).

Furthermore, at Group level, innovation is pursued through collaborative projects among the businesses.



Apprentice of the Year 2016

High quality combined with efficient and innovative manufacturing has always been central to the popularity and continued growth of the Group's products. In 2012, it was recognised that to develop a future focused workforce ready to meet the ever increasing technical expertise and skills needed to manufacture the Group's products, then the apprenticeship scheme would need to be redeveloped to create a pool of engineering and technical specialists. And who in future would help drive forward innovation and manufacturing excellence.

In a mixture of both classroom and practical learning, graduates of the apprenticeship scheme achieve externally recognised academic and vocational qualifications.

Now in its fourth year, the Apprentice of the Year scheme is an opportunity to celebrate exceptional performance. This year's award went to Jack Travers, a technical apprentice at Ibstock Bricks' Throckley factory.

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.

Responsible business

As the laws governing business dealings become ever more complex we need to ensure the judgements and decisions we make are taken with both the knowledge and application of the highest ethical principles. During 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 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. Additionally, during the year, the Group has prepared its Modern Slavery policy for communication to its employees and suppliers. This sets out the Group’s zero tolerance approach to this international crime. In our aim to be transparent about the steps and preventative measures implemented to tackle modern slavery, our statement regarding Modern Slavery will be published in 2017 on the Group’s website.

Also in 2017, our tax strategy will be disclosed in accordance with new Government requirements and published on the Group’s website. Working with our advisers and building upon the internal taxation strategy and governance policy already in place, management is developing this document to provide details of the Group’s approach to the management of tax risk and its attitude to tax planning.

Environment and engagement

The Group, like any successful business, must be conscious of the impacts its operations have on the environment and the communities in which it operates. The Group recognises its responsibilities as a manufacturer to reduce the environmental impact of its activities. Ibstock is committed to introducing environmental management systems and all of our UK businesses are now accredited with ISO 14001 – the International Environmental Management standard. In addition to this, we continue to invest in energy efficiency, CO₂ reduction, the generation of electricity from landfill gas and the recycling of raw materials, such as process water, to minimise waste and cost.

Greenhouse Gas (“GHG”) Emission figures

Greenhouse Gas Emission source	Tonnes of CO ₂ e	
	2016	2015
Scope 1 – Combustion of fuel and operation of facilities	426,173	512,854
Scope 2 – Electricity	72,276	78,186
Intensity ratio: Tonnes of CO ₂ e per tonne of production	0.19	0.18 ¹

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 CO₂ 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.

1 – The GHG intensity ratio reported differs to that reported in the 2015 Annual Report & Accounts (0.21) following recalculation following external environmental audit.

In addition to the Greenhouse Gas Emission figures, set out in the table above, the Group also utilises a number of other key measures in assessing the effectiveness of its environmental policies. These are set out within our Environmental report, which we issued as a full Group for the first time in May 2016.



Link to our Environmental report
Visit www.ibstockplc.com

Water is essential in our manufacturing processes and we are committed to reducing our dependence on our use of Mains water, which has a far higher carbon footprint than non-Mains water. We carefully monitor the usage of water by source and report our performance in this area within our Environmental report.

Landfill is a finite resource and becoming increasingly scarce. As a Group, we wish to move towards “Zero waste to landfill” and we follow an established hierarchy for waste management, monitoring the amount of waste to landfill per tonne of production as we aim to achieve this.

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. Our Environmental report sets out several case studies from across the Group illustrating how we have engaged with local communities. Ibstock plc is a member of “Business in the Community”.



Business review

Management considers the Group's reportable segments to be the UK and the US.

United Kingdom

The Group has 33 manufacturing plants and six speciality brick assembly sites in the UK.

Revenue (KPI) +2%

£344m

Adjusted EBITDA (KPI) +4%

£103m

No. employees +1%

2,089

Lost Time Accidents (KPI) -7 LTAs

13

The UK businesses represented 79% of the Group's revenue in 2016 and performed well, with revenue increasing by 2%.

In the year ending 31 December 2016, the UK segment earned revenue of £344 million, which was 2% higher than in the prior 12-month period.

UK clay

The clay element of our UK segment saw static revenue year-on-year of £254 million, although this result obscures the strong performance of the Ibstock business in the second half of the year.

The first half performance was subdued as merchants and distributors destocked to align the amount of inventory held to sustainable long-term levels. This destocking phenomenon continued into 2016 for longer than was originally anticipated, but is now believed to have ended. Destocking more than offset the strong first half activity levels within the new build housing sector, which saw volumes

increase year on year as growth in housebuilding continued in 2016, supporting our volumes.

Despite these fluctuations in demand, the UK industry saw production and sales levels broadly balanced with production volumes reducing over the full year, again demonstrating the rational nature of the industry as a whole.

UK concrete

The Forticrete and Supreme concrete products businesses had strong performances in 2016. Revenue within our concrete businesses increased 9% from £83 million to £91 million.

We saw a healthy level of demand for our products in the domestic landscaping RMI sector, as well as increased concrete product sales into the new build housing sector. The key driver for revenue growth in our Supreme business was fencing volume and price increases.

We also experienced continued sales of our roofing products against a backdrop of raising demand for concrete roof tiles across the UK market. This market is operating at close to capacity in some product areas. The new tile line at Leighton Buzzard will add new capacity to the market in 2017 with the introduction of new tile profiles which represent the next generation of tile design.

Adjusted EBITDA

The adjusted EBITDA increased 4% year on year for the UK segment at £103 million. We benefited from favourable energy costs compared to the prior year, which offset some of the profitability reduction resulting from the changing sales mix.



From top:

The UK's most advanced roof tile making facility at Forticrete's Leighton Buzzard site.

Wayne Sheppard, Chief Executive Officer, together with John Lambert, Managing Director of Forticrete, on a site visit to view the superior laying and appearance characteristics of the new SL8® roof tile range.

The combination of Ibstock bricks with Forticrete cast stone provide a highly attractive solution for many housebuilders.

Other key achievements

Within our Forticrete business, commissioning of the new tile line took place in the second half of the year. This will establish the company as a full range supplier to the new build housing sector and add c.5% capacity to the UK roof tile market.

At Ibstock in Leicestershire the construction of our new soft mud brick manufacturing plant continues apace. This is a major capital project which will add c.100 million to our current brick capacity. The factory has been designed to produce a wide range of soft mud bricks which are increasingly popular with housebuilders and which represent the bulk of the bricks currently imported into the UK from continental Europe.

We have also invested at our Lodge Lane facilities in the West Midlands through the replacement of the kiln at that site, which represents a major capital project, and we continue to invest in the efficiency of our concrete plants across the UK.

United States

In the US, the Group has 10 manufacturing plants and 10 brick centres across the North East and Mid West regions.

Revenue (KPI) +4%

\$122m

Adjusted EBITDA (KPI) +40%

\$17m

No. employees +2%

641

Lost Time Accidents (KPI) +2 LTAs

3

The US business represented 21% of the Group's revenue in 2016 and saw continued growth during the year with revenue increasing by 4% to \$122 million.

Unusually mild winter weather in the US gave Glen-Gery a strong start to the year, which was maintained, albeit at a lower growth rate in the second half. The revenue increase of 4% was driven by this first half performance as the growth flattened off in the second half.

Despite growth forecasts for 2016, our markets are broadly flat with Glen-Gery's performance being driven by price increases and sector mix.

Adjusted EBITDA

Adjusted EBITDA in the US has increased to \$17 million (a 40% improvement) in the year to 31 December 2016 reflecting higher average prices which include the benefit of a more favourable product mix.

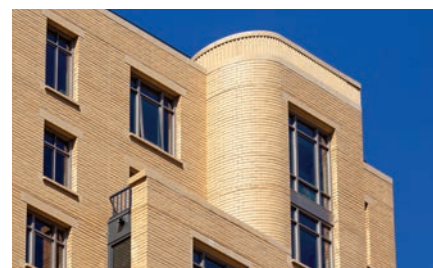
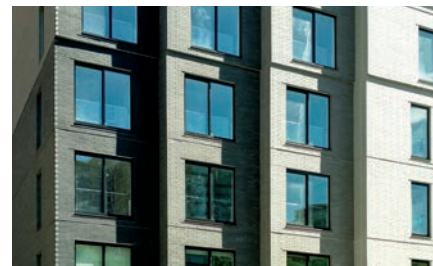
Profitability improvement also reflects a renewed focus on generating brand preference on unique and proprietary product offerings. These efforts were positively impacted by a new Glen-Gery brand positioning, highlighting the Ibstock Group affiliation that was introduced in a national advertising campaign in leading architecture and design publications.

Other key achievements

The development of advertisements with supporting project case studies enabled an increased preference within commercial design communities. In 2016, these efforts were evidenced by Glen-Gery winning eight BIA architectural awards and one international BDA award.

With continued support from our independent distributor and Group owned masonry supply yards, Glen-Gery secured new, high-profile national accounts in the retail, restaurant and hospitality sectors that should positively impact 2017 performance.

We also successfully implemented a new ERP system into our US segment's operations during the first half of the year.



From top:

The wide range of bricks colours made by Glen-Gery make them a popular choice with architects and specifier.

Hand making bricks at Glen-Gery's Mid Atlantic plant.

Bricks provide an unrivalled opportunity to create attractive yet highly durable facades. This example demonstrates popular "in and out" detailing together with curved brickwork.

Financial review



“Group revenue grew by 5.3% to reach £434.7 million (12 months to 31 December 2015: £412.8 million). On a constant currency basis, revenue growth was 2.7%.”

Statutory overview

Statutory revenue was £434.7 million (2015: £358.3 million) and statutory profit before tax was £110.9 million (2015 restated: £86.3 million) in the year ended 31 December 2016.

Due to the unusual nature of the statutory financial statements in the prior period, following the Group's formation in February 2015, I have described in the following analysis the year ended 31 December 2015 as a comparative. This assumes that the Group had existed in its current form since 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, the prior year comparatives in this report refer to the presentation of results for the year to 31 December 2015, as explained above. A reconciliation to the statutory information for 2015 is shown in Note 3 to the Group consolidated financial statements.

Revenue

Group revenue grew by 5.3% to reach £434.7 million (12 months to 31 December 2015: £412.8 million). On a constant currency basis¹, revenue growth was 2.7%.

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.

After taking account of exceptional items relating to the pension curtailment (see below) along with restructuring and acquisition related costs (£0.4 million and £0.1 million, respectively), adjusted EBITDA improved by 4.3% from £107.0 million in 2015 to £111.6 million in the year ending 31 December 2016.

United Kingdom

Revenue of clay and concrete products in the UK, which represents 79% of Group revenue, increased by 2.3% in 2016. The growth in revenue in 2016 was largely driven by our concrete businesses, as discussed below.

UK clay product revenue remained level in 2016 at £253.6 million (2015: £253.3 million) – an increase of 0.1%, following a strong improvement in sales volumes in the second half of the year after somewhat suppressed sales activity at the start of 2016 resulting from merchant destocking and uncertainties in the lead up to the EU Referendum.

Concrete revenue of £90.6 million in 2016 (12 months ended 31 December 2015: £83.0 million) showed an increase of 9.2%. The positive start to the year across our concrete businesses, reported within our interim results, continued during the remainder of 2016. In the UK, adjusted EBITDA increased by 4.0% £103.0 million in 2016 from £99.0 million in the year ending 31 December 2015. The sales mix in clay accounted for this with strong growth in the New Housing sector partially offset by reduced demand from our RMI customers.

United States

Revenue in the US increased by 18.3% to £90.5 million in the year ended 31 December 2016 compared to £76.5 million in 2015. Exchange rate movements assisted this increase, with the growth representing 4.1% in constant currency reflecting sales price increases in our key sales channels during 2016.

Adjusted EBITDA increased by 59.6% to £12.8 million (2015: £8.0 million) as the strong start was tempered in the second half of 2016. As the year drew to a close, we saw some projects deferred to 2017 as our customers sought to assess the impact of the new US administration. The increase represents 40% in constant currency terms with £1.5 million of the increase arising as a result of foreign exchange differences.

Cash flow and net debt

Cash generated from operations during the year ended 31 December 2016, excluding the impact of the exceptional operating items, is shown in the Table 1, below.

A net working capital balance at 31 December 2016 of £46.1 million (defined as inventory, debtors, creditors and provisions) compared with £48.0 million at 31 December 2015, with an improvement in trade working capital balances due to improved constant currency inventory turn.

Our net interest charge reduced in 2016 to £3.1 million, primarily due the non-recurrence of the one-off costs resulting from the renegotiation of our debt arrangements. Our interest charges included a net non-cash credit element of £1.4 million related to the discounting of liabilities. The interest cost relating to our debt facilities entered into last year, are in line with management's expectations.

Net debt (term loan less cash) of £132.8 million at the year-end, compared to £144.7 million at 31 December 2015, was also in line with management expectations. During 2016, £15.0 million was repaid against the senior facility of £200 million taken on at the time of the IPO in October 2015. Interest on this 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. This averaged 175bps plus LIBOR in 2016. The Group also has a committed revolving credit facility ("RCF") of £40 million.

Table 1: Cash flow and net debt (non-statutory)

	2016 £m	2015 £m	Change £m
Adjusted EBITDA ¹	112	107	+5
Share based payments	2	–	+2
Capex before major projects ²	(15)	(9)	(6)
Adjusted change in working capital	(1)	(6)	+5
Adjusted EBITDA – maintenance capex – change in working capital	98	92	+6
Cash conversion ³	88%	86%	
Major project capex ²	(44)	(6)	(38)
Cash from operating and investing activities	54	86	(32)
Net interest ⁴	(5)	(6)	+1
Tax ⁴	(7)	(9)	+2
Post-employment benefits	(4)	(2)	(2)
Adjusted free cash flow	38	69	(31)

1 – Adjusted EBITDA is as defined on the inside front cover.

2 – Capex on major projects is capex relating to strategic projects in Leicester, Leighton Buzzard and Cannock.

3 – Cash conversion is the ratio of adjusted EBITDA after movements in working capital less maintenance capex to adjusted EBITDA.

4 – 2015 figures estimated on a normalised basis.

Financial review continued

The Group is subject to two financial covenants. At 31 December 2016, there was significant headroom on both requirements. See Table 2, right.

In March 2017, the Group successfully refinanced its debt arrangements, to agree a £250 million RCF with six major banks at improved interest terms. The newly agreed debt arrangements contain covenant requirements in line with those of the old debt.

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 depreciated against the Dollar during 2016. As noted above, the impact of this was a £1.5 million benefit to adjusted EBITDA in 2016.

Corporate overheads

As the Group makes a full transition to a listed business, we are experiencing greater stability in the central overhead costs incurred. Incremental "plc costs" of £3.4 million were incurred in 2016, increasing the total from £0.7 million to £4.1 million, including share-based payment expenses of £1.9 million. The increase in 2016 primarily reflects a full 12-months of costs in 2016, compared to a little over two months in the prior year following our listing in late October 2015. We anticipate a similar level of cost in 2017.

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 non-cash pension curtailment gain arising on the closure of the Group's UK defined benefit pension scheme, discussed below, along with associated costs, has been classified as exceptional in the current year.

Table 2: Financial covenants (non-statutory)

Covenant	Definition	Requirement	Position at 31 December 2016
Consolidated net debt	Ratio of consolidated net debt to consolidated adjusted EBITDA	3.5:1	1.2:1
Interest cover	Ratio of consolidated adjusted EBITDA to consolidated interest expense	4:1	23:1

Table 3: Earnings per share

	2016	2015 (restated)
Statutory basic EPS	22.3p	32.6p
Adjusted basic EPS	18.1p	16.5p

In 2015, the impacts of acquiring the operating entities in February 2015, which resulted in negative goodwill of £115.7 million (restated), together with acquisition related expenses (£10.4 million), were classified as exceptional. Additionally, IPO costs totalling £13.7 million in the year ended 31 December 2015 were similarly classified as exceptional.

As management has a newly defined programme of surplus property disposals, we have taken the decision to include the gain upon disposal in our adjusted measures in the current year since we expect similar items to recur regularly in future years. These represent a gain of £0.6 million in 2016.

The loss on disposal and asset impairments of £1.4 million in the prior period was recorded as an exceptional item. Exceptional items are analysed in Note 5 to the Group consolidated financial statements.

Finance costs

Finance costs of £4.4 million were incurred in the year ending 31 December 2016, significantly below the level of the comparative period. Finance costs for the period ended 31 December 2015 of £69.4 million are as a result of the acquisition of the operating entities from CRH in February 2015, along with the subsequent refinancing at the time of the IPO.

Taxation

The Group's taxation charge was £20.5 million in the year ending 31 December 2016, resulting in an effective tax rate of 18.5%. This was lower than the standard rate of UK taxation of 20.0% due to the reducing deferred taxation rate applied.

In 2015, the Group recognised a tax credit of £7.7 million (restated) on Group pre-tax profits of £86.3 million (restated). Negative goodwill (restated), other exceptional items and the impact of future tax rate changes on the deferred tax provision in 2015 all had a significant impact on the effective tax rate.

Earnings per share

The statutory basic EPS was 22.3 pence in 2016. The movement in statutory basic EPS in 2015 is distorted by the significant exceptional non-trading items occurring during 2015, as described in table 3 above.

Our adjusted EPS metric removes the impact of exceptional non-trading items, as described above. Additionally, the fair value uplifts resulting from our acquisition accounting have been removed from the adjusted EPS calculation along with non-cash interest impacts. The changes to our measure for 2016 are described in Note 11 to the Group consolidated financial statements. 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 5.3 pence per share (2015: 4.4 pence) is being recommended for payment on 9 June 2017 to shareholders on the register at the close of business on 12 May 2017.

This is in addition to our interim dividend paid in September 2016 of 2.4 pence per share and is in line with our dividend policy, which is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle.

Pensions

During 2016, the Group operated a defined benefit scheme in the UK, which closed to new members in 2011, together with a number of defined contribution schemes. At 31 December 2016, the defined benefit scheme was in an actuarial accounting deficit position of £28.7 million following minimum funding requirement liability recognition of £14.2 million (2015: £8.0 million restricted to £0.3 million) against pension liabilities at the year-end date of £698 million (2015: £551 million). The increase in liabilities principally resulted from the movement in corporate bond yields during the year offset by the curtailment gain, whilst asset levels increased to £684 million (2015: £559 million) due to positive asset returns.

In August 2016, the Group announced its intention to conduct a consultation with the UK defined benefit scheme members, regarding a proposal to close the scheme to future accrual for all active members. The scheme's active members all consented to this change in December 2016 and, from 1 February 2017, have joined the UK defined contribution scheme.

This decision has resulted in costs associated with the closure of £1.6 million, which are classified as exceptional in our 2016 results. Upon closure, a non-cash curtailment gain of £30.3 million has also been recognised and treated as exceptional.

Within our US segment, certain employees are members of two multi-employer post-employment schemes. At 31 December 2016, a liability of £9.4 million (2015: £8.0 million) has been recognised in relation to these schemes, with a large element of the increase resulting from the movement in exchange rates in the year.

Further details are provided in Note 21 to the Group consolidated financial statements.

Prior period adjustment

During 2016 management identified a misstatement related to information presented within the 2015 Annual Report & Accounts. The restatement resulted in the recognition of an additional deferred taxation liability at the date of acquisition and a corresponding reduction in negative goodwill. As a result, the comparative amounts for the prior period have been restated within the financial statements. Further detail is set out in Note 1 to the Group consolidated financial statements.

Subsequent events

Along with the proposed dividend, the Group refinanced its debt arrangements in March 2017 (as described in Note 34 to the Group consolidated financial statements) to a £250 million RCF replacing the facilities in place at 31 December 2016. There have been no further events subsequent to 31 December 2016, which management believe require adjustment or disclosure.

Going concern and longer-term viability

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. As noted, above, the Group's banking facilities are a five-year £250 million RCF replacing the five-year £200 million loan and a £40 million committed RCF (undrawn at 31 December 2016).

Additionally, as noted in our Viability Statement on page 37, the Directors have performed a comprehensive assessment of the Group's viability as a business over a longer period and concluded that the Group reasonably expects to continue in operation and meet its liabilities as they fall due over that three-year timeframe.

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 34 to 36.

Kevin Sims
Chief Financial Officer
7 March 2017

Risk management

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

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

In considering the Group's appetite for risk, this is set depending upon the particular risk associated to our Group strategy:

- **Safety** – there is a zero tolerance for health and safety related risks or non-compliance with related legislation and statutory requirements;
- **Invest** – the criteria for investment allocates the Group's resources in a manner consistent with the Group's strategy and planned internal rates of return; and
- **Innovate** – whilst delivering activity aimed at introducing innovative products, the Group accepts short-term margin dilution, but aims for market-leading operating margins and returns on capital.

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

As noted in our 2015 Annual Report & Accounts, the Audit Committee had commissioned a third party review of the Group's internal control processes. This independent "health-check" of the Group's risk management was completed during the first half of 2016 and concluded that the Group's internal control framework was fit for purpose. The exercise helped establish a base line of internal controls and subsequently RSM LLP were appointed as the Group's outsourced Internal Audit provider to deliver a programme of internal audits to continue to monitor the processes and controls in operation.

The outsourced provider designed an independent programme of audits, which was approved by the Audit Committee, and commenced these audits in the second half of the year, supplementing the Group's own operational audit activities.

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, and are refreshed at least once per annum. 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.

During the year, the Audit Committee approved a Group Risk Committee comprising senior managers from across the Group. The Committee participated in a risk workshop facilitated by the Group's outsourced Internal Auditor, and considered the risk matrices prepared; ranked the identified risks at a Group level; and determined the extent of Group-wide mitigating actions currently being undertaken.

Following the Risk Committee's meeting, a Group risk assessment was formulated and validated by the Executive Directors prior to approval by the Board. This formed a key component of the Directors' robust assessment of the principal risks facing the Group – including those that would threaten its business model, future performance, solvency or liquidity. These are set out in the table on pages 34 to 36.

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. During 2016, no significant failings or weaknesses in the Group's internal controls were found.

The Audit Committee is assisted in evaluating the design and operating effectiveness of our risk strategies and the internal controls implemented by management by the Group's outsourced Internal Audit function.

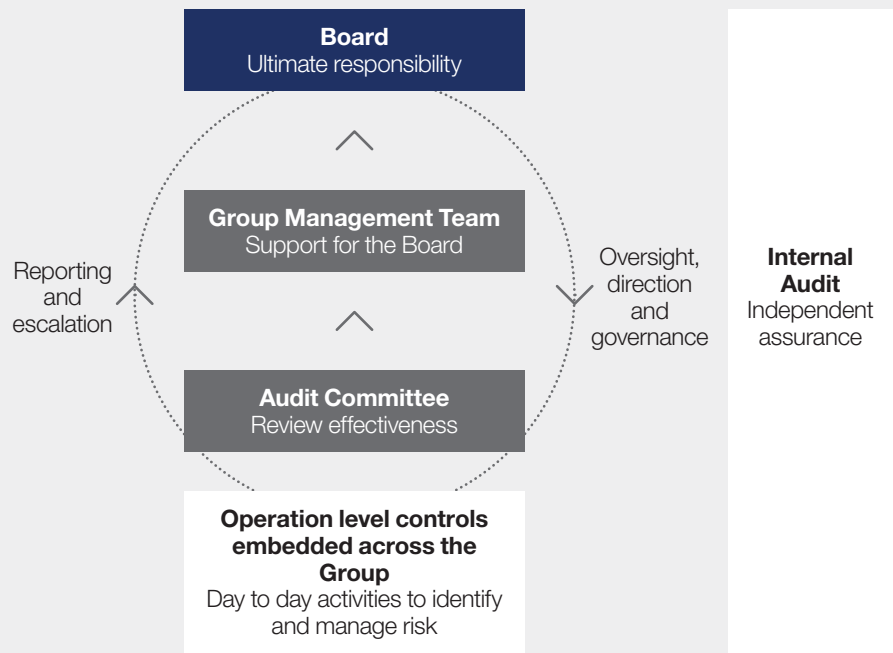
The structure of our Group risk management process is illustrated opposite.

Risk management framework

To effectively manage risk, operational level controls are embedded across the Group and form a key part of day to day processes.

During 2016, a key component of the Directors' assessment of the risk was management's review of the risk matrices prepared by each subsidiary entity, which were monitored in conjunction with the Group's outsourced Internal Audit function.

The Board maintained its ultimate responsibility for the Group's control monitoring and provided direction to management in its assessment of Group-wide risk.



Managing risk

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

The heatmap gives the Directors' assessment of the gross risk together with the residual risk following mitigation and reduction of the risk through the internal control actions established by the Group.

- 1 – Economic conditions
- 2 – Government action and policy
- 3 – Government regulation
- 4 – Customer relationships and reputation
- 5 – Business disruption
- 6 – Recruitment and retention of key personnel
- 7 – Input prices
- 8 – Product quality
- 9 – Financial risk management
- 10 – Pension obligations
- 11 – Cyber security
- 12 – Brexit

○ Inherent risk ● Residual risk

		Impact				
		Low	Significant	Major	Critical	Catastrophic
Likelihood	Almost certain				1 2 3 7 10 9 6	
	Likely			7 2 1 5 3 12	11	
	Possible			8 10 4 12		
	Unlikely	5	9 6 8 11 4			
	Rare					

Risk management continued

Principal risks

Description	Mitigation
1 – Economic conditions ^ v □	
<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 future demand 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 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 ^ v □	
<p>The Group has an exposure to both UK or US political developments. Material reductions in Government spending, or changes in Government policy, 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 brownfield 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. The UK Government's white paper "Fixing our broken housing market" of February 2017 is also supportive of housing. 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 ^ v □	
<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>

Movement of risk: Increase Decrease No change

Description

Mitigation

4 – Customer relationships and reputation



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.

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.

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.

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.

The Group has a broad spread of customers and no single customer comprises more than 10% of the total Group revenue.

5 – Business disruption



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

The Group depends on efficient and uninterrupted operations of its information and communication technology, and any disruption to or interruptions in these operations could have a material adverse effect on the Group's operations and financial performance.

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.

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

In relation to supplier disruption or failure, further third party suppliers have been identified who can maintain service in the event of a disruption.

In relation to IT, a major incident action plan has been developed and the Group maintains data backups and a comprehensive disaster recovery plan (see also Risk 11, overleaf).

Although weather conditions are completely beyond the Group's control, in both the UK and US in 2016 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.

6 – Recruitment and retention of key personnel



The Group is dependent on qualified personnel in key positions and employees having special technical knowledge and skills. Any loss of such personnel without timely replacement could significantly disrupt business operations.

We ensure that we recognise the changing labour markets, and packages for key and senior staff remain competitive.

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.

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.

7 – Input prices



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

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.

The Group's business may also be affected by volatility in energy costs or disruptions in energy supplies.

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.

Significant changes in the cost or availability of transportation could affect the Group's results.

Risk management continued

Principal risks continued

Description	Mitigation
<h4>8 – Product quality ▲ ▼ □</h4>	
<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>
<h4>9 – Financial risk management ▲ ▼ □</h4>	
<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"> ■ Foreign exchange risk – As the Group has operations in the UK and the US, exchange rate fluctuations may adversely impact the Group's results. ■ Credit risk – Through its customers, the Group is exposed to a counterparty risk that accounts receivable will not be settled leading to a financial loss to the Group. ■ Liquidity risk – Insufficient funds could result in the Group being unable to fund its operations. ■ Interest rate risk – Movements in interest rates could adversely impact the Group and result in higher financing payments to service debt. 	<ul style="list-style-type: none"> ■ Foreign exchange risk – The Group undertakes limited foreign exchange transactions, with the UK and US businesses selling domestically with largely local input costs. Some capex requires foreign exchange purchases and management considers foreign exchange hedging strategies where significant exposures may arise. ■ Credit risk – Customer credit risk is managed by each subsidiary subject to the Group's policy relating to customer credit risk management. The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter. ■ Liquidity risk – The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements and liabilities when they become due. In March 2017, the Group entered into new facilities of £250 million. ■ 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.
<h4>10 – Pension obligations ▲ ▼ □</h4>	
<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 was closed to future accrual following consultation with members. The Pension Trustees and their external advisers, as well as the internal pensions team, have significant expertise in the area and provide oversight. Following the closure, our agreed Statement of Investment Principles, operated to provide appropriate security and achieve an appropriate balance between risk and return, is under review.</p>
<h4>11 – Cyber security new risk</h4>	
<p>Recent high-profile attacks on companies across a number of industry sectors have highlighted the damage that can now be caused by hackers and cyber terrorists. As a result, and as the Group continues to evolve, operational risks such as cyber security risk have increased in focus. Such IT security risks have the ability to significantly disrupt the Group's business, resulting in financial loss.</p>	<p>The Group does not operate in a high risk sector, yet the Group is committed to ensure that its network, applications and data are protected. During the year, the Group has completed a review using an external cyber security programme framework, which provides coverage across the key areas of cyber security and aligns with industry standards.</p>
<h4>12 – Brexit new risk</h4>	
<p>The UK Referendum on EU membership in June 2016 introduced a degree of uncertainty and may give rise to longer-term macroeconomic changes, which as outlined in Risk 1, could reduce demand for the Group's products.</p>	<p>The Group established a Brexit Committee shortly after the Referendum result was announced. As part of this, management has developed contingency plans to mitigate risks arising from macroeconomic changes which may result. The Group has limited exposure to foreign currency risk and as a result the recent devaluation of Sterling has had minimal impact.</p>

Viability Statement

Background

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

Assessment

The Directors' assessment of the longer-term viability of the business, as part of the year-end review for the preparation of this Annual Report & Accounts, has 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 6 and 7, and its strategy (see pages 11 to 17) is aimed at continuing to strengthen its position in those markets and create value for its shareholders.

The Group's global operations (see pages 26 and 27) exposes it to a number of risks and the Group's principal risks and uncertainties are noted on pages 34 to 36. 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 page 36.

Lookout period

In determining the lookout period to assess the prospects of the Group, the Directors decided that three years was the appropriate period over which to assess longer-term viability. The nature of the building products industry is that it is particularly sensitive to the level of economic activity, which is influenced by 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. Following the facilities' refinancing subsequent to the year-end, described in Note 34 to the Group consolidated financial statements, 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.

Strategic report

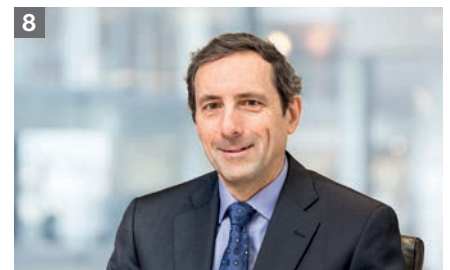
Our Strategic report from pages 1 to 37 has been reviewed and approved by the Board.

Wayne Sheppard
Chief Executive Officer

Kevin Sims
Chief Financial Officer

7 March 2017

Board of Directors



1 Jamie Pike

MA, MBA, MIMechE

Non-Executive Chairman and Chairman of the Nomination Committee

Independent: On appointment

Date of appointment: Jamie Pike (age 61) joined the Board in September 2015 as a Non-Executive Director, and became Non-Executive Chairman upon Admission.

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

Expertise: Jamie has over 25 years of experience at the senior management or director level of businesses, including cement manufacturing, construction, mining and building materials industries. He previously served as Non-Executive Chairman of 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 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. He spent his early career as a consultant with Bain and Co and A T Kearney. Jamie is a member of the Institute of Mechanical Engineers.

Key current external appointments: Jamie currently serves as Non-Executive Chairman at Tyman plc and has indicated that he will step down from the Board of that company in May 2017. He is also chairman of RPC Group plc and serves as the Senior Independent Director at Spirax Sarco Engineering plc.

2 Wayne Sheppard

BSc, CEng MIMechE, MIET

Chief Executive Officer

Date of appointment: Wayne Sheppard (age 57) joined the Board in September 2015.

Committee memberships: None

Expertise: Wayne has been with the Group for more than 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.

Key current external appointments: None

3 Kevin Sims

ACMA

Chief Financial Officer

Date of appointment: Kevin Sims (age 55) joined the Board in September 2015.

Committee memberships: None

Expertise: Kevin has been with the Group for 30 years and has more than 30 years of experience within manufacturing businesses. Kevin 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 member of the Institute of Chartered Management Accountants and Chairman of Ibstock Pension Scheme Trustees.

Key current external appointments: None

4 Jonathan Nicholls

BA (Hons), ACA, FCT

Senior Independent Non-Executive Director and Chairman of the Audit Committee

Independent: Yes

Date of appointment: Jonathan Nicholls (age 59) 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.

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

Expertise: Jonathan has over 18 years' experience at the senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development. Previously, Jonathan 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. Between July 2009 and July 2016 he was a Non-Executive Director of Great Portland Estates plc. He is a member of the Institute of Chartered Accountants in England and Wales and a Fellowship member of the Association of Corporate Treasurers.

Key current external appointments: Since 2009, Jonathan has served as a Non-Executive Director of DS Smith plc, where he is the Senior Independent Director and Chairman of the Audit Committee. Since 2009 he has served as a Non-Executive Director of SIG plc where he is Chairman of the Audit Committee. He will retire from the Board of that company on 31 March 2017. On 1 September 2016, Jonathan was appointed a director of Shaftesbury PLC. He became Chairman of that company on 1 October 2016.

5 Matthias Boyer Chamard

MSc, MPA

Non-Executive Director

Independent: No

Date of appointment: Matthias Boyer Chamard (age 36) joined the Board in September 2015 as a Non-Executive Director.

Committee memberships: None

Expertise: Matthias currently serves as a Principal of Bain Capital Private Equity (Europe) LLP, a role he has held for over five years. In his capacity as a Principal at Bain Capital Private Equity (Europe) LLP, Matthias also serves as a Non-Executive Director for Maison du Monde SAS. Prior to joining Bain Capital, he worked at Boston Consulting Group in the energy and the industrial goods practices.

Key current external appointments: Bain Capital Private Equity (Europe) LLP.

**Key:**

- Non-Executive Director
- Executive Director
- Company Secretary

6 Tracey Graham

Non-Executive Director

Independent: Yes

Date of appointment: Tracey Graham (age 51) joined the Board as a Non-Executive Director in February 2016.

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

Expertise: Tracey was Chief Executive of Talaris Limited until 2010, where she led the company's management buy-out from De La Rue plc. Tracey has also held senior positions in banking and insurance with HSBC and AXA Insurance. Tracey was a Non-Executive Director of RPS plc, and Dialight plc, an international LED lighting company.

Key current external appointments: Tracey 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 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; and a Non-Executive Director of ACAL plc, an international supplier of customised electronics to industry.

7 Lynn Minella

Non-Executive Director and Chair of the Remuneration Committee

Independent: Yes

Date of appointment: Lynn Minella (age 58) joined the Board as a Non-Executive Director in February 2016.

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

Expertise: Lynn is a member of the Executive Committee of BAE Systems plc and Group Director of Human Resources. Prior to joining BAE Systems, Lynn 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 spent 22 years at IBM, where she served in a variety of HR leadership positions.

Key current external appointments: BAE Systems plc.

8 Michel Plantevin

MSc EEng, MBA

Non-Executive Director

Independent: No

Date of appointment: Michel Plantevin (age 60) joined the Board in September 2015 as a Non-Executive Director.

Committee memberships: Michel is a member of the Nomination Committee.

Expertise: Michel currently serves as Managing Director of Bain Capital Private Equity (Europe) LLP, a role he has held for over 13 years. Michel 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 Private Equity (Europe) LLP, Michel serves as Non-Executive Director for a number of companies including Maison du Monde SAS, and Autodis S.A. He is also the Non-Executive Chairman of IMCD N.V. Prior to joining Bain Capital, Michel was a Managing Director at Goldman Sachs.

Key current external appointments: Bain Capital Private Equity (Europe) LLP.

9 Justin Read

MA, MBA

Non-Executive Director

Independent: Yes

Date of appointment: Justin (age 55) joined the Board in January 2017 as a Non-Executive Director.

Committee memberships: Justin is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Expertise: Justin was Group Finance Director of Segro plc from August 2011 to December 2016. Between 2008 and 2011 he was Group Finance Director at Speedy Hire plc. Prior to this, Justin spent 13 years in a variety of roles at Hanson plc, including Deputy Finance Director, Managing Director of Hanson Continental Europe, Head of Corporate Development, Head of Risk Management and Group Treasurer. Justin has also held positions at Euro Disney S.C.A. and Bankers Trust Company. Justin's previous roles have given him financial and management experience working across a number of different industry sectors, including real estate, support services, building materials and banking; and across a number of jurisdictions.

Key current external appointments: Justin is a Non-Executive Director of Grainger PLC and Chairman of SEGRO Pension Scheme Trustees Limited.

10 Robert Douglas

BSc (Econ), FCA

Company Secretary

Robert Douglas (age 61) joined the Group as IPO Project Manager in June 2015 and was appointed Company Secretary in October 2015. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Robert brings with him considerable experience gained acting as interim CFO in a number of 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



“Your Board manages the Company in a transparent, open and honest manner, which we achieve by maintaining high standards of corporate governance.”

Chairman's introduction

I am pleased to present the Corporate Governance Statement to our shareholders for our first full year as a listed company.

Your Board manages the Company in a transparent, open and honest manner, which we achieve by maintaining high standards of corporate governance. The Board is ultimately responsible to shareholders for all our activities: for delivering our strategy and financial performance in the long-term interests of the Company, for efficiently using our resources and having regard to social, environmental and ethical matters. The Board approves the Group's governance framework with the Board Committees contributing their specialist focus to key areas such as remuneration policy, internal controls and risk management and succession planning. It is the Board's intention to continue to work towards full compliance with the UK Corporate Governance Code (the "Governance Code"). Due to the relatively short period of time between Admission and the year-end, last year's Annual Report & Accounts identified a number of areas where the Company was not fully compliant with the Governance Code. With the significant progress made in the months following Admission and the excellent strides that have been made during the year, I am pleased to report that, with one exception, the Company was in compliance with the principles of the Governance Code at the year-end. That one exception was in relation to Board balance, which is discussed later in the Statement. Justin Read was appointed to the Board on 1 January 2017, at which time the Board achieved full compliance with the principles of the Governance Code.

While other sections of the Annual Report & Accounts 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 Group. I believe the achievement of good governance is based on the appropriate level of oversight, good communication, a focus on the management of risks, a commitment to transparency and ensuring a culture of continuous improvement in standards and performance across the business.

The Board regularly reviews 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. It will continue to adapt to meet the evolving needs of the Group. 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
Non-Executive Chairman
7 March 2017

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 Board is committed to the highest standards of corporate governance. We have made significant progress since Admission and, as at the date of this Annual Report & Accounts, the Company complies (and intends to continue to comply) with the Governance Code. As explained in last year's Annual Report & Accounts, there were a number provisions of the Governance Code with which the Company was not fully compliant in the months following Admission. Details relevant to our 2016 financial year are provided opposite, together with an explanation of the action we have taken to achieve compliance as at the date of this Annual Report & Accounts.

This Statement, together with the Committee reports and the Directors' Report, explains key features of the Company's governance structure and compliance with the version of the Governance Code published in September 2014 by the Financial Reporting Council. This Statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules ("DTR"). A copy of the Governance Code is available on the Financial Reporting Council website at www.frc.org.uk.

The Company has been applying the UK Corporate Governance Code 2016 since its financial year-end and will report on compliance in next year's Annual Report & Accounts.

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. The code 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 shareholders, particularly with regard to business developments and financial results. The Board aims to communicate on a regular basis and at present the Company utilises news releases, investor presentations and Company publications and will expand communication channels as appropriate.

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>At the beginning of 2016 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 Chamard, 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. During the year Tracey Graham and Lynn Minella were appointed as Non-Executive Directors and Justin Read was appointed as a Non-Executive Director on 1 January 2017. All are considered to be independent for the purposes of the Governance Code and, therefore, the Company has been in compliance since 1 January 2017.</p>
<p>For a short period of time at the beginning of 2016 the composition of the committees were not fully compliant with the Governance Code provisions B.2.1 (Nomination Committee), C.3.1 (Audit Committee) and D.2.1 (Remuneration Committee). This was remedied in February 2016 with the appointment of Tracey Graham and Lynn Minella to the Board and its committees.</p>		

The executives hold regular meetings with analysts and shareholders at appropriate times during the year and relevant feedback from those meetings is provided to the Board.

Jonathan Nicholls is the 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 communicated with the major shareholder, Diamond (BC) S.à r.l., on a regular basis through their representatives on the Board of Directors.

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 24 May 2017 at 2:00 p.m. at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY, can be found in the Notice of Meeting. The Notice of Meeting, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies, is contained in a circular which will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report & Accounts. This document will also be available on the Ibstock plc website (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.

Corporate Governance Statement continued

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. We are now compliant. As at 31 December 2016, the Board comprised a Non-Executive Chairman, three independent Non-Executive Directors, two non-independent Non-Executive Directors and two Executive Directors. The Board regards Jonathan Nicholls, Tracey Graham and Lynn Minella as independent for the purposes of the Governance Code. In January 2017, Justin Read was appointed as a Non-Executive Director, and is regarded by the Board 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 year, and as at 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.

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 and Group tax strategy.
- Approval of significant acquisitions and disposals and material capital investments.
- Approval of significant borrowing facilities and other material contracts and transactions.
- 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.
- Following the recommendation of the Remuneration Committee, determining the remuneration policy for the Directors, and other senior managers.
- 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, Directors who are not members of the relevant Committee, including 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.

Details of each of the Board Committees and their activities during the year are set out in the separate Committee Reports on pages 38 and 39, 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 38 and 39.

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 conflicts/potential conflicts and will be reviewed by the Board on a regular basis to ensure that the procedure is working effectively. During the year, and as at the date of this report, no conflicts were reported to the Board.

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 is tailored to suit the needs of individual Directors and covers the provision of information on 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.

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 Chairman reviews the level and nature of training undertaken by the Directors 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 division of responsibilities between 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.

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.

Corporate Governance Statement continued

Non-Executive Directors

At the date of this Report, independent Non-Executive Directors comprise 50% of the Board, excluding the Chairman. The Board believes that these Non-Executive Directors, Jonathan Nicholls, Tracey Graham, Lynn Minella and Justin Read, possess strong independent character and judgement and bring a wide range of business experience both in areas related to and areas complementary to the activities of the Group.

Michel Plantevin and Matthias Boyer Chammard are Non-Executive Directors appointed by Diamond (BC) S.à r.l., pursuant to the Relationship Agreement, and are not considered to be independent.

The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

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

This year, in compliance with the Governance Code, the performance evaluation was conducted by external facilitator, David Mensley of EquityCommunications Limited. Neither Mr Mensley nor EquityCommunications Limited has any other connection to the Company.

The performance evaluation process was undertaken in late autumn 2016. Having agreed a schedule of matters for appraisal, EquityCommunications Limited prepared a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the Board Committee structure. The questionnaire was completed by all Board members and also the Company Secretary. A report on the outcome of the evaluation exercise was prepared by EquityCommunications Limited and was presented to the Board at its December 2016 meeting.

The evaluation was undertaken before the Board had completed its first full financial year of post IPO operations, and EquityCommunications Limited commented on how well and quickly following IPO the Board had assembled into a remarkably well

bonded team with strong leadership both of the Board and the Group. The report was positive about the performance of the Board, its main Committees and individual Directors. This early externally facilitated evaluation will serve as a good benchmark for the future.

The early adoption of an external review did highlight some areas where it was too soon to make strong judgements about certain Board processes. Whilst not raised as an area of weakness in the exercise undertaken this year, we propose to follow through the suggestion made by EquityCommunications Limited that our next Board evaluation focuses in even greater depth on our risk management processes, which by then will have completed a full cycle of operations.

As a result of recommendations made in the Board evaluation report, the Board has agreed to enhance its approach to strategy planning and to continue to focus on succession planning, both at Board level and in key businesses in the Group.

The Chairman has met with each of the independent Non-Executive Directors in the absence of the Executive Directors.

Overall, the Board considered the performance of each Director to be effective and concluded that the Board and its Committees continue to provide effective leadership and exert the required levels of governance and control and that each Director continues to contribute effectively and demonstrate commitment to his or her role. The Board will continue to review its procedures, effectiveness and development in the year ahead.

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

Development and advice

The Directors of all Group companies, as well as the Board, have access to the advice and services of the Company Secretary. Independent external legal and professional advice can also be taken when necessary to do so. Furthermore, each Committee of the Board has access to sufficient and tailored resources to carry out its duties. A personalised induction and subsequent training programme is provided to new members of the Board and its Committees.

Meetings and attendance

The Board has met on eight occasions during the year and expects to meet approximately eight times each year going forward. It 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 its Committees and the attendance by the Directors during the year is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Jamie Pike	8/8	n/a	4/4	3/3
Jonathan Nicholls	8/8	4/4	4/4	3/3
Tracey Graham ¹	7/8	4/4	4/4	3/3
Lynn Minella ²	7/8	4/4	4/4	3/3
Michel Plantevin ³	8/8	n/a	n/a	2/3
Matthias Boyer Chammond ⁴	7/8	n/a	n/a	n/a
Wayne Sheppard	8/8	n/a	n/a	n/a
Kevin Sims	8/8	n/a	n/a	n/a

1 – Tracey Graham was not able to attend the March Board meeting due to a longstanding prior engagement.

2 – Lynn Minella was not able to attend the September Board meeting due to a longstanding prior engagement.

3 – Michel Plantevin was not able to attend the May Nomination Committee meeting due to a longstanding prior engagement.

4 – Matthias Boyer Chammond was not able to attend the June Board meeting due to other personal commitments.

This table only shows those Committee meetings which each Director attended as a member of the Committee, rather than as an invitee. Where “n/a” appears in the table the Director listed is not a member of that Committee. Directors receive relevant papers in advance of meetings and any Director not able to attend has the opportunity to raise any issues and provide comments to the Board or relevant committee chairman in advance of the meeting. Directors do not participate in meetings when matters relating to them are discussed.

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 at more informal occasions. During 2016 the Board held a number of meetings at the Group’s business locations:

- **March** – Supreme Concrete Limited, Barnwell plant, Peterborough. The Board reviewed the concrete fence post operation and discussed proposed developments and capital investment with members of the senior management team.
- **September** – Glen-Gery Inc., Pennsylvania, US. The Board undertook a three-day visit to the business where it visited two of the brick-making factories, and a retail sales outlet. The Board met staff and held meetings with senior management who gave a presentation on the company’s operations, future development proposals and strategic objectives.
- **November** – Forticrete Limited, Leighton Buzzard. The Board reviewed the commissioning of the new roof line production facility and also held meetings with senior members of the management team.

A programme of off-site meetings has been developed for 2017, which will see the Board visiting the Ibstock, Forticrete and Supreme businesses in the UK and a three-day visit to Glen-Gery in the US.



Read more on the Board’s activity in the Business
See pages 48 and 49 – case studies “Glen-Gery” and “Forticrete”.

Board meeting calendar and regular agenda discussion items

2016	Q1	Q2	Q3	Q4
Review and approval of preliminary full year results	■			
Review and approval of full year dividend	■			
CEO commentary against business priorities	■	■	■	■
CFO financial review	■	■	■	■
Business unit site visits and presentations covering financial results and operational activities	■		■	■
Health and safety update	■	■	■	■
Board evaluation output and recommendations				■
Review and approval of half year results			■	
Interim dividend approval			■	
Board meeting at US subsidiary in Philadelphia			■	
Preparation for Board evaluation			■	
Approve 2017 budget				■
Board briefing on the new Market Abuse Regulation		■		
Whistleblowing report		■		■
Review of Board activities with shareholders				■
Review outcome of competitive tender for the Group’s auditors				■
Approval of capital expenditure project			■	

Corporate Governance Statement continued

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 38 and 39. The Board is content with the level of external directorships held by the Chairman and the independent Non-Executive Directors, as these do not impact on the time that any Director devotes to the Company. Furthermore, the Board believes that this external experience only enhances the capability of the Board.

Jamie Pike's external commitments are currently unchanged since last year, but he has indicated that he will step down as Chairman and as a Director of Tyman PLC at that Company's AGM in May 2017.

Wayne Sheppard is Principal of the Construction Products Association, and a Director of the Brick Development Association.

Accountability

Internal controls

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

The Board as a whole discuss, challenge and give approval on the Annual Report & Accounts. 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 assess the effectiveness of these controls are set out as part of the Audit Committee Report on pages 52 to 57.

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 an ongoing process for the identification, evaluation and management of significant business risks, which has been in place for the year under review and up to the date of approval of this Annual Report & Accounts. 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 (see pages 32 to 36).

The Executive Directors meet regularly with representatives from the businesses to address financial, human resource, legal, risk management and other control issues.

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 generally 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 has conducted a review of the effectiveness of the Group's system of risk management and internal control during the year, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of the review can be found in the Audit Committee report on page 52 to 57.

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

As part of its considerations as to whether the 2016 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 & Accounts at an early stage;
- individual sections of the Annual Report & Accounts 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 2017 Board paper, included a checklist of areas that the Board should take into account in considering the fairness, consistency and balance of the final draft of the Annual Report & Accounts including whether the Board considers that there are any omissions in information.

The statement of Going Concern and the Viability Statement appear on pages 75 and 37, respectively.

Jamie Pike
Non-Executive Chairman
7 March 2017

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Report & Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, and applicable law. Under company law the Directors must not approve the Annual Report & 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 consolidated financial statements, International Accounting Standard No.1 requires Directors to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and to disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2016 and whose names and functions are given on pages 38 and 39 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 7 March 2017 and is signed on its behalf by:

Wayne Sheppard
Chief Executive Officer
7 March 2017

Kevin Sims
Chief Financial Officer
7 March 2017



Governance in action

Board site visit to Glen-Gery

The Board visited Glen-Gery in September 2016 as part of their programme to meet the management teams of the individual Group businesses. Glen-Gery hosted visits to two brickworks in Pennsylvania, the Mid Atlantic and York plants.

Many prestigious projects in the New York, Baltimore, Philadelphia and Washington areas have been built using bricks from these plants. Mid Atlantic is highly regarded for its stock brick range and innovative thin bricks while handmade bricks from the York plant provide a unique and sort after appearance.






Governance in action

Board site visit to Forticrete

In November 2016, the Board visited Forticrete's new and innovative SL8® and PAN8® production line at the Leighton Buzzard site. During the visit, Forticrete demonstrated the superior aesthetics and ease of installation of the new tile range. The Board viewed the manufacture of the tiles on the UK's most advanced roof tile making facility.



Nomination Committee Report



Jamie Pike
Chairman of the Nomination Committee

Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee (the "Committee") for the year ended 31 December 2016.

2016 key achievements

- We supported the Board with the appointment of three independent Non-Executive Directors. Tracey Graham and Lynn Minella joined the Board in February 2016 and Justin Read was appointed on 1 January 2017.
- We reviewed the training requirements of the Board and agreed upon a suitable regime. Going forward, the Chairman and the Company Secretary will identify broader areas of training for the Board as a whole and the Chairman will discuss and agree the training requirements with individual Directors.
- We conducted an in-depth review of the Group's succession plan and considered the talent available below the Board level. The Committee's review concluded that the Company has robust succession planning arrangements in place.
- We reviewed the size, structure and composition of the Board and worked towards compliance with the provisions of the Governance Code. Egon Zehnder, the external search firm, which has no other connection to the Company, worked with me to devise a long list of candidates for each of the three Board appointments. Short lists were then compiled and the Committee, together with the Executive Directors, met with the candidates, following which the Committee was able to formulate its recommendation to the Board. Compliance with the Governance Code was achieved on 1 January 2017 with the appointment of Justin Read.
- We considered the time commitment required from the Non-Executive Directors. The Committee concluded, through discussions with the Chairman and the Board and Committee evaluation process, that the Non-Executive Directors had committed sufficient time to fulfil their duties and that their performance continued to be effective.

- We reviewed the Independence of Non-Executive Directors and formed the conclusion that the independent Non-Executive Directors named on pages 38 and 39 continue to be regarded as independent.

Members of the Committee as at the date of this report:

- Jamie Pike (Chairman)
- Tracey Graham
- Lynn Minella
- Jonathan Nicholls
- Michel Plantevin
- Justin Read

Please see pages 38 and 39 for detailed biographies.

Areas of focus in 2017

- Continue to develop and monitor succession plans for both the Board and senior management.
- Development of the Diversity Policy.

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 and on the 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 evaluate the membership and performance of the Board and its Committees; and
- Recommend, where appropriate, the re-election of Directors.

Nomination Committee calendar and agenda discussion items

During the year the Board met on three occasions.

2016	Q1	Q2	Q3	Q4
Recommendation for the appointment of new Non-Executive Directors to the Board	■			■
Adoption and subsequent review of Committee's Terms of Reference	■			■
Reviewed Directors' training and development needs		■		
Reviewed size, structure and composition of the Board				■
Reviewed time commitment required from Non-Executive Directors				■
Reviewed the independence of Non-Executive Directors				■
Conducted an evaluation of the Committee's performance				■
Reviewed succession planning arrangements				■

Succession planning

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

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, educational and professional background and gender. However, all Board appointments will always be made on merit. Additional information is included in the Corporate Governance Statement on page 42.

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.

Re-election of Directors

The composition of the Board is reviewed regularly by the Nomination Committee to ensure there is an effective balance of skills, experience and knowledge.

In accordance with the Governance Code, all Directors wishing to continue in office will retire and offer themselves for re-election by shareholders at the 2017 Annual General Meeting.

Corporate Governance

During the year, the Committee and reviewed the Terms of Reference. The Terms of Reference can be found on our website at www.ibstockplc.com/investors.

Diversity

The Board fully supports the aims, objectives and recommendations outlined in the Hampton-Alexander Review which is focused on ensuring talented women succeed by removing barriers to their success, and continuing to drive forward the momentum of the Davies Review – "Women on Boards". We are aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. We do not consider that it is in the best interests of the Company, or 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.

Approximately 22% of the Board are female, as at the date of this Report, and 12.5% of a population of senior managers are female. Additional information regarding the gender split across the Group can be found on page 23 of the Strategic report.

Board and Committee effectiveness

The Committee arranged an annual performance evaluation to be undertaken of the effectiveness of the Board, each Committee of the Board and of the contribution of each Director.

The evaluation of the Board and its Committees was conducted by EquityCommunications Limited, an external facilitator, in the late autumn 2016. The process took the form of a questionnaire completed by all members of the Board and the Company Secretary. A report on the outcome of the evaluation of the Committee's effectiveness was prepared by EquityCommunications Limited and was presented to the Board and its Committees in December 2016. The conclusion drawn from the review was that the Committee had operated effectively.

Jamie Pike
Chairman of the Nomination Committee
7 March 2017

Audit Committee Report



Jonathan Nicholls
Chairman of the Audit Committee

Dear Shareholder,

Welcome to the Report of the Audit Committee (the "Committee") for the Group's first full year of trading since Admission.

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 and protects the interests of the shareholders as regards the integrity of published financial information by the Group and the effectiveness of the external audit.

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.

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

2016 key achievements

- Following a competitive tender process the Committee commissioned RSM Risk Assurance Services LLP ("RSM") to conduct a "health-check" of current Internal Audit arrangements and the wider control environment and acted upon the recommendations.
- Satisfied with the performance of RSM in conducting the "health-check", the Committee appointed them to provide an outsourced Internal Audit function.
- We conducted a competitive tender process for the appointment of the Group's external auditor and recommended the appointment of Deloitte LLP.

Members of the Committee as at the date of this report:

- Jonathan Nicholls (Chairman)
- Tracey Graham
- Lynn Minella
- Justin Read

Please see pages 38 to 39 for detailed biographies.

Areas of focus in 2017

- Formalise and publish the Group tax strategy in compliance with new legislation introduced during 2016.
- Continue to ensure that the systems of internal control are robust and operating effectively and that the principal risks identified by the Board are effectively managed.
- Review significant reporting judgements and key assumptions related to those judgements.

Audit Committee composition and meetings

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, who had been a member of the Committee since Admission, stood down from the Committee on 24 February 2016. Justin Read became a member of the Committee upon his appointment to the Board in January 2017.

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. The Board considers that Justin Read and I have recent and relevant financial experience. The Committee, as a whole, has competence relevant to the sector in which the Group operates.

The Committee met formally on four occasions during the year and expects to meet at least four times per year going forward.

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

Other members of the Board attend the Committee's meetings, as and when required, by invitation.

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 wider 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 at 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 specifically uses 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. In addition, these matters are reviewed throughout the year.

Audit Committee calendar and agenda discussion items

During the year the Committee met on four occasions.

2016	Q1	Q2	Q3	Q4
Financial and narrative reporting	■	■	■	■
External audit	■	■	■	■
External audit tender				■
Internal Audit		■	■	■
Independence and objectivity of the external auditor	■		■	
Committee effectiveness				■
Review of risk	■	■	■	■
Significant accounting matters	■	■	■	■

Audit Committee activities during the year

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

Financial and narrative reporting

- Reviewed the full and half year results and associated announcements and recommended them to the Board for approval.
- Reviewed the Group's Annual Report & Accounts to consider whether, taken as a whole, they were fair, balanced and understandable and whether they provided the necessary information required for shareholders to assess the Company's performance, position, business model and strategy and recommended them to the Board for approval.

- Conducted a review of significant accounting policies and judgements.
- Received corporate reporting updates from the external auditor and considered the approach to the 2016 Annual Report & Accounts.
- Considered the appropriateness of the Group's accounting policies and practices.
- Responded to an enquiry letter from the FRC in respect of the Group's 2015 financial statements. All queries were addressed to the FRC's satisfaction.

Audit Committee Report continued

External audit

- Reviewed and considered the reports presented by EY to the Audit Committee following the half year review and full year audit.
- Discussed the Board representation letter.
- Reviewed the performance of the external auditor and the effectiveness of the external audit process.
- Discussed the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the external auditor, taking into consideration relevant professional and regulatory developments.
- Reviewed the overall firm-wide Audit Quality Review Report on EY's audit findings for the prior year.
- Approved and adopted a policy for the employment of former employees of the external auditor.
- Reviewed EY plans for the 2016 audit and their review of the interim statement.
- Oversaw the tender process for the appointment of the external auditor, as discussed on page 57.
- Held meetings with EY, without management present.

Internal Audit

- Appointed RSM to provide Internal Audit services to the Group.
- Agreed a plan of work for the 2016/2017 Internal Audit programme with RSM and received reports from them on the Internal Audit programme conducted during the year.
- The Committee met with RSM, without management present.

Independence and objectivity of the external auditor

- Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the external auditor.

Committee effectiveness

- Received updates from EY on compliance and changes in Corporate Governance matters and the regulatory framework.
- Conducted the annual evaluation of the effectiveness of the Audit Committee.
- Reviewed the Committee's terms of reference and confirmed that they remained appropriate.
- Reviewed training requirements of Committee members and received training and technical updates from the Company Secretary and EY.

Review of risk

- Review of principal business risks, Risk Management and internal controls. Principal risks and Risk Management are set out on pages 32 to 36.
- Received a report from the CFO on the internal controls operating in the business and any associated action plans.
- Review of fraud risk, ethics policy and whistleblowing policy.
- Review of cyber security risk.
- Considered the appropriateness of the Group's Viability Statement and Going Concern Statement assumptions at the full year and half year, including a review of the sensitivity analysis and scenarios prepared by Management. The Viability Statement is set out on page 37 and the Going Concern Statement is set out on page 75.

Significant issues considered by the Committee during the year

Significant issues considered by the Committee

The Audit Committee considers all financial information published in the annual and half year financial statements and considers accounting policies adopted by the Group, presentation and disclosure of the financial information and, in particular, the key judgements made by management in preparing the financial statements. In addition to the matters described below, the Committee considered the tax prior year adjustment disclosed in Note 1 to the Group consolidated financial statements and concluded the adjustment has been appropriately calculated and disclosed.

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, or the level of complexity, judgement or estimation involved in their application on the Group consolidated financial statements. The main areas of focus during the year are set out overleaf:

Revenue recognition and accounting for customer rebates

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. The Committee reviewed management's paper describing the process (with reference to contractual agreements) and the controls in place to record the rebate and settle in cash. Considering the limited judgement involved in the process due to the nature of the rebates provided, and input from the external auditor, the Committee was satisfied that accounting balances at 31 December 2016 were appropriately recorded. Following discussion, and subject to there being no significant change to the agreements, quantum or processes, customer rebates will be removed from the Committee's list of significant matters going forward.

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, the assumptions used and the approach to minimum funding requirements under IFRIC 14. In the UK scheme there was a deficit of £28.7 million, as detailed in Note 21 to the Group consolidated financial statements. The Committee reviewed the assumptions with management and sought views from the external auditor before concluding on the appropriateness of the actuarial balances disclosed. In 2016, due to the decision to close the UK defined benefit pension scheme to future accrual, a curtailment gain of £30.3 million was recognised in the Group consolidated income statement, which management disclosed as an exceptional item. After assessing the non-recurring nature of the gain, the Committee concurred that the classification was appropriate. Additionally, the Committee also agreed the recording of the £9.4 million liability in respect of the US pension.

Alternative performance measures

The Group presents a number of alternative performance measures ("APMs") within its published financial information, including its 2016 Annual Report & Accounts with the objective of providing readers with better understanding of financial performance in the period and so as to facilitate comparison with future periods and to assess trends in financial performance.

In light of the guidance issued by the European Securities and Markets Authority and the UK's Financial Reporting Council, the Committee has understood and challenged management's rationale for including an item as an exceptional item. Through discussion with management and the external auditor, the Committee has also sought to ensure that the policy for APMs is applied consistently and in compliance with the guidance provided.

The Committee concluded that the presentation of APMs gave additional clarity on performance and was reconciled appropriately to reported amounts, with sufficient prominence, thereby satisfying the requirements.

Indicators of impairment

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 and whether any subsequent detailed impairment testing should be undertaken.

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.

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.

In conclusion, 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.

Going Concern and Viability Statements

As requested by the Board, the Committee reviewed the Going Concern and Viability Statements prepared with the assistance of management, together with the supporting documentation, as described on pages 75 and 37, respectively. Following its review, the Committee recommended the approval of both statements to the Board.

Audit Committee Report continued

Fair, balanced and understandable

It is the Board's responsibility to determine whether the 2016 Annual Report & Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2016 Annual Report & Accounts, reviewed management's analysis of the 2016 Annual Report & Accounts and how this met the objectives of providing fair, balanced and understandable disclosures, before forming the conclusion to recommend the 2016 Annual Report & Accounts be approved by the Board as fair, balanced and understandable. The Committee's role in that process is covered on page 46.

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 Committee acknowledges the importance of an effective Internal Audit function and commissioned RSM to undertake a "health-check" of the Group's current Internal Audit arrangements and the wider control environment. That report concluded that the Group had established a strong culture and control discipline and that the internal control framework operated effectively and was broadly similar to internal control frameworks operating within other comparable listed organisations. Nonetheless, opportunities for further improvement were identified, including the greater formalisation of the Group's risk management framework and establishing a reporting programme to the Audit Committee, which have been addressed by management in the year. The report also recommended the creation of an outsourced Internal Audit function. During the year, following on from the "health-check" of Internal Audit arrangements and the wider control environment, the Group outsourced the Internal Audit function to RSM, who perform a rolling programme of audits considering the design and operation of key controls within operational, accounting and IT processes.

The external audit and review of its effectiveness

The Committee advises the Board on the appointment/re-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 was considered by the Committee.

These reviews included:

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

The Committee has written Terms of Reference, which have been published on the Company's corporate website at www.ibstockplc.com/investors. In addition, the Committee has formalised an annual plan 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.

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.

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, the Committee is satisfied that the external auditor has been independent and effective.

Audit tender

Following the sale by CRH plc in 2015, the Group retained the existing external auditors, who had been auditors for the preceding 23 years. Consistent with best practice, the Committee conducted a competitive tender process for the appointment of the Group's external auditors during the autumn.

In September 2016, the Group decided to review its audit arrangements for the year ending 31 December 2017 and initiated a competitive tender process. Management invited four audit firms to take part in the process, including EY. "Carousel" days were held, at which each firm met with several members of management, including the CFO and senior financial management from across the Group. Formal proposal documents were submitted by the firms. Each firm gave a presentation to a panel led by the Audit Committee Chairman.

Following the detailed and thorough process, the Committee decided to recommend to the Board that Deloitte LLP be appointed as the Group's auditors, to audit the financial statements for the year commencing 1 January 2017.

A resolution proposing the appointment of Deloitte LLP will be put to shareholders at the Annual General Meeting to be held on 24 May 2017. The Committee and the Board would like to thank EY for their high professional standards and all they have done to provide assurance to the Board and shareholders during their time as the Group's auditors.

Audit fee and non-audit services

Details of the amounts paid to the external auditor are set in Note 6 to the Group consolidated financial statements. During the year EY has provided tax compliance services in respect of the US business. 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 and RSM US LLP. During the year EY were commissioned to provide a report to the Board on Cyber Security risk.

The non-audit services policy sets out clearly the non-audit services that may be provided by the external auditor. Under the policy, prior approval is required by the Committee for any non-statutory assignments where the fee would exceed £10,000, or where such an assignment would take the cumulative total of non-audit fees paid to the external 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 our 2017 financial year.

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:

- potentially unlawful acts;
- miscarriage of justice;
- 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.

Committee effectiveness

The effectiveness of the Committee was reviewed by both the Board and the Committee, in compliance with the Governance Code. The evaluation was conducted by external facilitators, EquityCommunications Limited, in the late autumn of 2016 and took the form of a questionnaire completed by all members of the Board and the Company Secretary. A report on the outcome of the evaluation of the Committee's effectiveness was prepared by EquityCommunications Limited and presented to the Board. The conclusion drawn from the review was that the Committee operates effectively.

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

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

Jonathan Nicholls
Chairman of the Audit Committee

7 March 2017

Directors' Remuneration Report



Lynn Minella
Chair of the Remuneration Committee

Remuneration Committee Chair's Annual Statement

Dear Shareholder,

As the Chairman of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2016.

Throughout the year the Group has continued to develop following our IPO in 2015, despite the uncertainty arising from events such as Brexit and the US Presidential Election. Even though the year has been marked by unpredictable market conditions, the Group has made good headway in 2016. Turnover has increased by 5% to £435 million and adjusted EBITDA increased to £112 million (2015: £107 million). In the UK we experienced a slow-down in sales in the weeks leading up to the EU Referendum, but shortly after the result was announced sales volumes in all UK businesses were comparable to, and eventually exceeded, the prior year.

The UK housing developer market in the UK grew during 2016, however the de-stocking by builders merchants meant that this did not flow through to increased brick sales volumes in the first half year. As merchants' stock returned to more normal levels, brick sales increased in the second half year, resulting in a full year result slightly ahead of 2015. The concrete businesses experienced volumes and pricing ahead of those experienced in the prior year. Supreme was aided by healthy demand for its products in RMI and domestic landscaping, whilst Forticrete benefitted from continued growth in the new build housing sector. Glen-Gery, in the US, delivered another year of progress.

Against this backdrop, the Committee is keenly aware of the sensitivity of the public and shareholders regarding executive remuneration. In such an environment the Committee's focus is therefore to ensure that our Remuneration Policy supports the Group's goals to extend its position in the building products industry, to ensure that remuneration remains linked to Company performance and to deliver long-term sustainable growth.

Members of the Committee as at the date of this report:

- Lynn Minella (Chair)
- Tracey Graham
- Jonathan Nicholls
- Jamie Pike
- Justin Read

Structure of the report

- Remuneration Committee Chair's Annual Statement (pages 58 and 59).
- Directors' Remuneration Report "At a glance" (pages 60 and 61).
- Annual Report on Remuneration (including the summary approved Remuneration Policy) (pages 62 to 73).

The Remuneration Committee reviews the Policy on an ongoing basis and is comfortable that it remains appropriate as the structure by which to incentivise and motivate the leadership team to implement the Company's strategic goals and ensure they are aligned with shareholder expectations heading into the 2017 financial year.

Wayne Sheppard, who had been a member of the Committee since Admission, stood down from the Committee on 24 February 2016, following the appointment of Lynn Minella and Tracey Graham.

Company highlights for the 2016 financial period

Financial highlights for the year include:

- Group revenue – £435 million;
 - Profit before tax – £111 million; and
 - Adjusted EBITDA – £112 million;
- reflecting the underlying strength of the business.

Operational highlights include:

- UK Concrete products have performed well;
- Sales price increases were secured in our key US sales channels; and
- Major capital projects progressing well and to schedule.

In addition to our operational highlights, following a full consultation with affected members, the Ibstock Defined Benefit Pension Scheme closed to future accruals from 31 January 2017.

Further details of performance against the Company's key performance indicators are detailed on pages 18 and 19 and the Financial Review on pages 28 to 31.

The annual bonus for our Executive Directors which is based 60% on the Group's financial performance, 20% on strategic measures and 20% on individual objectives reflect the overall Group performance this year and paid out at 64%-66% of target levels (32%-33% of maximum opportunity). Further details of the annual bonus targets for the year and performance against those targets are provided on page 63.

Remuneration Committee decisions made during 2016

The Company's remuneration strategy is designed to motivate our senior leaders to deliver the Company's strategic objectives, ensure customer focus based on quality and consistency and drive long-term value for our shareholders. These core elements are captured in our incentive framework for the Executive Directors. Further details of how our incentives and their measures align to the Company's key strategic objectives is found on page 60.

The Remuneration Policy was approved at the 2016 AGM on 26 May 2016 and the Committee believe that it supports Ibstock's business and remuneration strategy. No changes have been made to the Policy or its proposed operation for next year.

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

- The Committee considered the base salaries for the Executive Directors and awarded 2.2% increases to Wayne Sheppard and Kevin Sims, in line with the increase provided to the employee population.
- The decision that Wayne Sheppard and Kevin Sims should receive an annual performance bonus in respect of 2016 equal to 41% and 40% of base salary respectively reflects performance against the measures for the year.
- 2016 LTIP awards for Wayne Sheppard and Kevin Sims of 100% of salary. The grant levels and performance targets for the LTIP are consistent with the normal award policy – further details of the awards are provided on page 64. There was no LTIP vesting this year as the first awards under the plan were made in 2016.
- Reviewed the proposed changes to the Ibstock Defined Benefit Pension Scheme, as highlighted on page 58.
- Established Long-Term Incentive Plan targets for 2016: 50% EPS growth and 50% on relative TSR (see page 64).

Further details on how our Remuneration Policy will be applied in practice for the 2017 financial year are set out on page 69.

From 1 January 2017, we welcomed Justin Read onto the Remuneration Committee. Justin brings a wealth of experience, including from roles held at Segro and Speedy Hire that will be of great benefit to Ibstock as we continue to develop our business.

Shareholder engagement

The Remuneration Policy received strong support from our shareholders resulting in 99.36% vote in favour at our Annual General Meeting on 26 May 2016. The Annual Report on Remuneration received a 99.99% support from the shareholders.

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

Lynn Minella

Chair of the Remuneration Committee
7 March 2017

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 Corporate Governance Code (the "Governance Code") and the Listing Rules. The report consists of two sections:

- The Annual Statement by the Remuneration Committee Chairman and associated "At a glance" section; 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 2016 financial period.

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the 2017 AGM.

Directors' Remuneration Report continued

At a glance

Introduction

In this section, we:

- 1 – set out the purpose of our Remuneration Policy and its linkage to our corporate strategic objectives; and
- 2 – set out the remuneration outcomes for the 2016 financial year.

Our Remuneration Policy and its link to our Group strategy

The Group's strategy is laid out on pages 11 to 17.

Ensuring the alignment of the proposed Remuneration Policy to the Company strategy was key for the Remuneration Committee in developing the proposed Policy below in conjunction with our core principles of remuneration.

Our core principles of remuneration

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

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

Strategic priorities

Remuneration Policy	Continuing to focus on a safe working environment that has the development of employees and customer service at its core	Invest in new capacity and optimise output to take advantage of structural imbalances in the Group's market	Penetrate markets further through innovation	Equity ownership and retention of shares	Retain and reward the Executive team to deliver the strategy
Annual bonus metrics The maximum bonus (including any part of the bonus deferred into an Annual Deferred Bonus Plan ("ADBP") Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	<input checked="" type="checkbox"/> Net Promoter Score ("NPS") and Lost Time Accidents ("LTA") These measures target customer satisfaction and health and safety in the workplace and therefore support this objective.	<input checked="" type="checkbox"/> Return on Capital Employed ("ROCE"), Adjusted EBITDA, Adjusted Cash Flow 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.	<input checked="" type="checkbox"/> ROCE, Adjusted EBITDA, Adjusted Cash Flow, NPS The efficient development of innovative products measured through ROCE and NPS performance will be reflected in increased profitability and cash flow.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
LTIP metrics Maximum annual award is normally 100% of salary. Awards will vest at the end of three years. For 2017, the performance conditions for awards are equally weighted between: <ul style="list-style-type: none"> ■ Adjusted Earnings per Share growth; and ■ comparative Total Shareholder Return ("TSR"). 	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> Adjusted Earnings per Share ("Adjusted EPS"), Total Shareholder Return ("TSR") 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.	<input checked="" type="checkbox"/> TSR The generation of cash and profit growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators (a performance condition under the LTIP).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Share Incentive Plan ("SIP")				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The Sharesave Plan				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Minimum shareholding requirements <ul style="list-style-type: none"> ■ Chief Executive Officer 200% of salary. ■ Chief Financial Officer 150% of salary. 				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

2016 financial period

Annual bonus outcomes

Our 2016 bonus outcomes outlined below reflect the performance measures and targets put in place during our 2016 financial period and their level of satisfaction. The bonus measures for the Executive Directors are aligned to the Company's KPIs (which are outlined on pages 18 and 19).

2016 bonus measures	Bonus value achieved	
	Wayne Sheppard	Kevin Sims
Adjusted EBITDA (20%), Adjusted Operating Cash Flow (20%), ROCE (20%), Net Promoter Score (10%), Lost Time Accidents (10%), Personal Objectives (20%)	£174,300	£115,309

The Company achieved between the threshold and target performance level set for adjusted EBITDA and ROCE metrics, but was below threshold for adjusted operating cash flow target. Group non-financial measures performance was below threshold for Net Promoter Score and on target for Lost Time Accidents.

The total payout was 64%-66% of the target bonus (32%-33% of maximum bonus opportunity of 125% of salary for the two Executive Directors). Two thirds of the 2016 bonus was paid in cash and one third was deferred into shares for a period of three years.

Further detail of the bonus outcomes can be found in the Annual Report on Remuneration on page 63.

Single figure remuneration for our Executive Directors

We set out below the single figure remuneration for the two Executive Directors:

Executive Directors	2015 total	2016 total
Wayne Sheppard (CEO)	£773,309	£788,685
Kevin Sims (CFO)	£495,520	£509,544

The base salaries for the 2015 single figure was a combination of the pre- and post-IPO salaries paid to the Executive Directors which are lower than the 2016 salaries which was for the full year of Ibstock as a listed Company. This offsets some of the difference in the annual bonus payout.

The single figure table containing information for the 2015 and 2016 financial year for the Executive Directors and Non-Executive Directors are set out in detail on pages 62 and 65 respectively.

Equity exposure of the Executive Directors

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.

The following chart sets out all subsisting interests in the equity of the Company held by the Executive Directors at 31 December 2016.

Shareholding requirements as % of salary

Wayne Sheppard

Shareholding requirement	200%
Value of beneficially owned shares	4,957%
Value of/gain on interests over shares (i.e. unvested/unexercised awards)	95%

Kevin Sims

Shareholding requirement	150%
Value of beneficially owned shares	4,722%
Value of/gain on interests over shares (i.e. unvested/unexercised awards)	95%

The number of shares of the Company in which current Directors had a beneficial interest as at 31 December 2016 are set out in detail on page 65.

Directors' Remuneration Report continued

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 2016 financial year to 31 December 2016.

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

Executive Directors	Period	Salary	Taxable benefits ³	Bonus	LTIP ⁴	Pension ⁵	SAYE ⁶	Other ⁷	Total ⁸
Wayne Sheppard (CEO)	2016	£425,000	£15,829	£174,300	n/a	£173,556	n/a	0	£788,685
Wayne Sheppard (CEO)	2015	£279,381 ¹	£11,280	£252,240	n/a	£127,976	£4,500	£97,932	£773,309
Kevin Sims (CFO)	2016	£290,000	£14,715	£115,309	n/a	£89,520	n/a	0	£509,544
Kevin Sims (CFO)	2015	£184,259 ²	£9,879	£151,167	n/a	£86,558	n/a	£63,657	£495,520

1 – 2015 salary for Wayne Sheppard is the salary paid from March to December 2015, corresponding to the period he was an Executive Director for the financial year. The salary figure comprises of £208,548 in relation to his role as Executive Director from 26 February 2015 to IPO and £70,833 following the IPO (2 months pro-rata on his post-IPO salary of £425,000) to the end of the financial year.

2 – 2015 salary for Kevin Sims is the salary paid from March to December 2015, corresponding to the period he was an Executive Director for the financial year. The salary figure comprises of £135,926 in relation to his role as Executive Director from 26 February 2015 to IPO and £48,333 following the IPO (2 months pro-rata on his post-IPO salary of £290,000) to the end of the financial year.

3 – Taxable benefits included company car allowance, private health cover, death in service cover and income protection.

4 – No LTIP award vested in the year. The first grant of LTIP awards was made in 2016 and will vest in 2019.

5 – Comprises of the value of Defined Benefit Pension Scheme ("DB") accruals and salary supplements in lieu of pension. See note on following page for further details.

6 – SAYE grant under the Ibstock plc Sharesave Plan. An SAYE option over 11,842 shares granted on 9 December 2015 with an exercise price of 152 pence (awarded at a discount of 20% to the market price of 190 pence).

7 – In 2015, the value is for a one-off contractual payment for retention of services during the sale by CRH plc to Bain Capital Europe LLP.

8 – 2015 single figure has been restated to reflect pension payments corresponding to the changes in salaries made for the Executive Directors in 2015. The single figure for 2015 for Wayne Sheppard was £762,927 and £487,550 for Kevin Sims. The payments were processed and made in 2016 but relate to the 2015 financial year.

Taxable benefits (Audited)

Benefits in the 2016 financial year comprised a company car allowance, private health cover, death in service cover and income protection.

In the 2016 financial year, both Wayne Sheppard and Kevin Sims moved to a car allowance instead of taking a company car. Kevin Sims' car allowance is £15,000 per annum (effective from 1 April 2016). Wayne Sheppard's car allowance is £20,000 per annum (effective from 19 September 2016). The car allowance paid in the 2016 financial year, on a pro-rated basis from the point where it was taken, was £11,250 for Kevin Sims and £5,000 for Wayne Sheppard.

Bonus (Audited)

In respect of the 2016 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 2016 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 ¹	Bonus value achieved	
						Wayne Sheppard	Kevin Sims
Adjusted EBITDA	20%	£107.6m	£122.8m	£111.6m	6%	£32,311	£22,048
Adjusted operating cash flow	20%	£57.7m	£65.8m	£56.0m	0%	–	–
ROCE ³	20%	17.7%	20.2%	18.1%	4%	£19,801	£13,511
NPS (Net Promoter Score)	10%	44%	47%	42%	0%	–	–
LTA's (Lost Time Accidents) ²	10%	22	18	20	5%	£26,563	£18,125
Personal objectives	20%	Achievement of the personal objectives for 2016 are outlined below.			17%-18%	£95,625	£61,625
Total	100%				32%-33%	£174,300	£115,309

1 – Under the terms of the 2016 annual bonus, 0% for each element is payable for achieving the threshold performance, 50% for achieving target performance, 100% for achieving maximum performance. One third of any bonus is deferred for three years into Company shares subject to continued employment.

2 – Comprises employees and contractors.

3 – The targets and actual ROCE calculations exclude the add back of amortisation and depreciation relating to the fair value uplift.

Personal objectives for the CEO and CFO for the 2016 financial year and the associated outcomes are outlined below:

Name	Objective area	Notes
Wayne Sheppard	■ Business and vision (60%)	■ Objectives relating to the development and implementation of a post-IPO business were achieved within the Group and Divisions. ■ Continued development of the Ibstock business strategy during the year.
	■ People and talent (20%)	■ Effective strategy covering the Group's senior talent including succession planning was developed and achieved during the year.
	■ Strategic projects (20%)	■ Objectives relating to key strategic commercial projects and associated Capex control and risk management were achieved during the year.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to a 90% achievement for this element of the bonus.

Name	Objective area	Notes
Kevin Sims	■ Business and vision (40%)	■ Management of the Ibstock DB pension scheme and associated changes were achieved during the year. ■ Continued development and management of relationships with investors and analysts.
	■ People and talent (20%)	■ Effective strategy covering the Group's Finance and IT key talent including succession planning was developed and achieved during the year.
	■ Strategic projects (40%)	■ Successful projects completed during the year including provision of improved technology platforms and internal governance controls.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to a 85% achievement for this element of the bonus.

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

Directors' Remuneration Report continued

Long-term incentives awarded in 2016

The table below sets out the details of the long-term incentive awards granted in the 2016 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Award type	Date of grant	Shares awarded	Face value on date of grant ¹	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Wayne Sheppard (CEO)	LTIP	18 April 2016	217,502	£425,000	25	100	Relative TSR and EPS
Kevin Sims (CFO)	LTIP	18 April 2016	148,413	£290,000	25	100	Relative TSR and EPS

¹ – Share price on the date of grant was £1.954.

The awards were granted as nil-cost share options and vesting will be subject to achieving a challenging sliding scale of adjusted EPS and relative TSR against the FTSE 250 (excluding real estate and investment trusts) over a three-year performance period. The performance schedule for these measures is as follows:

Measure	Weighting	Threshold	Maximum
Relative TSR	50%	Median	Upper quartile
EPS growth	50%	6% per annum	16% per annum

Relative TSR will be measured from the date of grant over a three year period (with one month averaging of TSR derive the start and the end values for the calculation). EPS growth will be measured over three consecutive financial years with the base point for the 2017 award derived from the EPS as at 31 December 2016.

2016 Long-Term Incentive Plan outcomes

The first grant of LTIP awards was made under the plan in 2016. These awards will vest in 2019.

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.

For the 2016 financial year

Executive Directors	Age at 31 December 2016	Pensionable service at 31 December 2016	Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
			As at 31 December 2015	As at 31 December 2016	Salary supplement	Value x 20 over increase in year (net of Director's contribution)	Total pension benefits	Normal retirement age
Wayne Sheppard	57	23	£89,393	£95,435	£52,716	£120,840	£173,556	60
Kevin Sims	55	30	£67,317	£70,018	£35,500	£54,020	£89,520	60

Wayne Sheppard and Kevin Sims were members of the Defined Benefit Scheme until 31 January 2017, when the Scheme closed. Both Executive Directors declined a £1,000 cash payment arising from the closure of the DB Scheme which was paid to all other members of the Scheme. They will not participate in the Defined Contribution Scheme and from 1 February 2017, they will receive a 20% salary supplement in lieu of pension contributions.

In the 2016 financial year, Wayne Sheppard's pensionable pay under the DB Scheme was capped at £161,420 and Kevin Sims' pensionable pay was capped at £112,500. Each Director received 20% salary supplement in lieu of pension on their salary above these pension caps.

Non-Executive Directors (Audited)

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

Non-Executive Directors	2015 fees ³	2016 fees	Roles
Jamie Pike	£57,211	£175,000	Independent Non-Executive Chairman
Jonathan Nicholls	£19,038	£65,000	Senior Independent Non-Executive Director
Lynn Minella	n/a	£55,806	Non-Executive Director
Tracey Graham	n/a	£46,774	Non-Executive Director
Michel Plantevin ¹	£0	£0	Non-Executive Director
Matthias Boyer Chamard ¹	£0	£0	Non-Executive Director
Justin Read ²	–	–	Non-Executive Director

1 – Michel Plantevin and Matthias Boyer Chamard represent one of the Company's shareholders and are not remunerated by the Company and receive no payment from Ibstock with respect to their qualifying services as Directors of the Company.

2 – Justin Read was appointed to the Board in January 2017.

3 – 2015 fees represent the fees paid to the Non-Executive Directors post-IPO. Jonathan Nicholls' base fee was increased to £50,000 p.a., with effect from 1 January 2016. No other fees have been increased in the financial year.

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 ¹	Shares held directly ⁴		Other shares held	Options		Outstanding SAYE awards ²	Shareholding requirement met?
			Beneficially owned	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested	Unvested		
Executive Directors									
Wayne Sheppard	200%	4,957%	11,307,827	n/a	217,502	n/a	n/a	11,842	Yes
Kevin Sims	150%	4,722%	7,350,087	n/a	148,413	n/a	n/a	–	Yes
Non-Executive Directors									
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
Justin Read ³	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 Chamard	n/a	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 – As at 31 December 2016. This is based on a closing share price of 186.3 pence at 31 December 2016 and the year-end salaries of the Executive Directors. Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

2 – SAYE grants made 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.

3 – Appointed from 1 January 2017.

4 – No changes in shareholdings from the year-end to the date of this report.

Directors' Remuneration Report continued

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 and a Director of the Brick Development Association. He receives no fees for these appointments. Kevin Sims does not hold any external directorships.

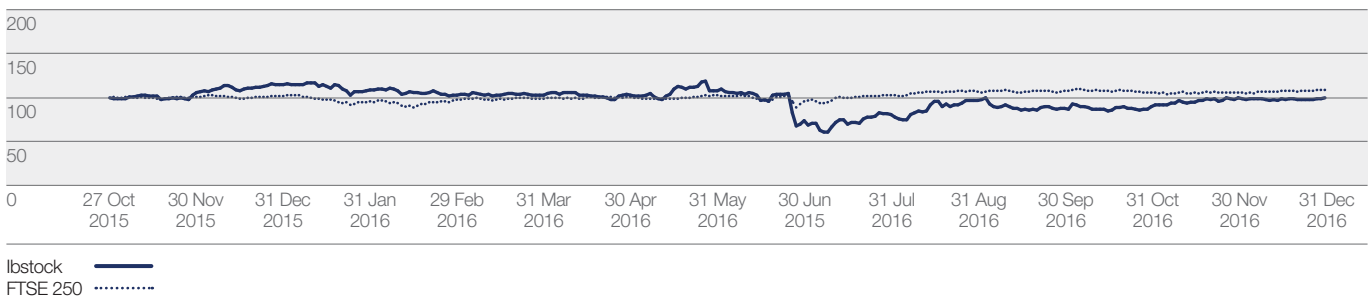
Comparison of overall performance and pay

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 index since listing. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 27 October 2015 and therefore only has a listed share price for the period of 27 October 2015 to 31 December 2016.

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 2016 valued using the methodology applied to the single total figure of remuneration. The Company did not exist in its current form in 2014 and therefore there is no relevant data before 2015.

Chief Executive Officer	2016	2015
Single total figure	£788,685	£773,309
Annual bonus payment level achieved (% of maximum opportunity)	33%	100%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a

No award under the LTIP has vested yet. The vesting of the first award will be in 2019.

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 Awards under both the Annual and Deferred Bonus Plan and the Long-Term Incentive Plan will provide alignment between senior leaders and our shareholders based on overall corporate performance of the business.

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

Remuneration and its link to the Company's objectives

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

The Company currently does not use remuneration comparison measurements, nor has it consulted employees directly on the Remuneration Policy. However, in setting the Remuneration Policy for Directors, the pay and conditions of other employees of the Company are taken into account to ensure consistency of approach throughout the Company, including data on the remuneration structure for management level tiers below the Executive Directors, average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business.

As a Remuneration Committee, we are keenly aware of the sensitivity of shareholders and the wider public regarding remuneration, including the Government's ongoing considerations for reforms to the governance framework in respect of executive pay. The Committee will continue to monitor developments closely and will comply with best practice reporting requirements as they come into force.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2016 and 2015 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2016 financial year £m	Disbursements from profit in 2015 financial year £m
Profit distributed by way of dividend	28	0
Overall spend on pay including Executive Directors	124	97

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

	% increase/(decrease) in remuneration in 2016 compared with remuneration in 2015	
	CEO	Employees
Salary ¹	0%	3%
Annual bonus	(31%)	(38%)
Taxable benefits ²	17%	0%

1 – The 2015 base salary as a plc Executive Director for the Chief Executive Officer was £425,000. Mr Sheppard declined a salary review on 1 January 2016. For comparison purposes in the table above, the Company has annualised the 2015 base salary as a plc Executive Director and compared this to the 2016 base salary. The salary paid to the Chief Executive Officer in 2015 was £330,730 which covers the period pre- and post-IPO. A comparison on this basis equates to a 29% rise in salary from 2015 to 2016.

2 – To aid the comparison, the total benefits paid to the Chief Executive Officer in 2015 has been annualised. The 2015 benefits value was £13,536 and the 2016 value was £15,829. The percentage change predominately reflects the move from a company car to a company car allowance made during the year by the Executive Directors.

Directors' Remuneration Report continued

Statement of consideration of shareholder views and voting at general meeting

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 Policy summarised in this report.

The first AGM took place on 26 May 2016, where the new Directors' Remuneration Policy was put to a binding vote from our shareholders, and the Annual Report on Remuneration was put to an advisory vote. The voting outcomes are set out in the table below.

2016 AGM resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast (excluding Withheld)	Votes Withheld
Directors' Remuneration Policy	374,209,516	99.36%	2,394,225	0.64%	376,603,741	2,250
Annual Report on Remuneration	375,925,993	99.99%	27,541	0.01%	375,953,534	652,857

On the basis of this strong support from shareholders the Committee does not intend to make any changes to the Policy or its implementation for 2017. The details for the 2017 financial year are outlined on page 69.

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, 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

The Committee retained the services of PricewaterhouseCoopers LLP ("PwC") as independent remuneration adviser. During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive team. PwC also provided the Company with tax and accountancy advice during the period. 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 £58,000 (2015: £12,000) were provided to PwC during the period in respect of remuneration advice received.

Implementation of our Remuneration Policy for the 2017 financial year

Our proposed implementation of the Policy for the 2017 financial year is set out below.

	Key elements and time period					Overview of Remuneration Policy implementation for 2017	
	Year	+1	+2	+3	+4		+5
Base salary→						For 2017 base salaries for the CEO and CFO will be £434,350 and £296,380, respectively, a rise of 2.2% from the previous year in line with the rises for all employees.
Pension→						The maximum contribution into the defined contribution plan or a salary supplement in lieu of pension will be 20% of gross basic salary.
Benefits→						Standard benefits will be provided, including car allowance (£20,000 for Wayne Sheppard, £15,000 for Kevin Sims), private health cover, death in service cover and income protection. See page 62 for further details.
Annual and Deferred Bonus Plan ("ADBP")							For 2017 the maximum bonus opportunity will be 125% of salary for the CEO and CFO. For 2017, the level of deferral in shares will be one-third of the bonus earned which will vest after three years based on continued employment with the Company. The Committee can determine the proportion of the bonus earned under the ADBP provided as an award of deferred shares to a maximum of 50% of bonus earned.
Cash→						The performance conditions and their weightings for the 2017 annual bonus are as follows:
Deferred award→		→			<ul style="list-style-type: none"> ■ Adjusted EBITDA (20%); ■ Adjusted Operating Cash Flow (20%); ■ ROCE (20%); ■ NPS (Net Promoter Score) (10%); ■ LTAs (Lost Time Accidents) (10%); and ■ Personal objectives (20%).
LTIP→		→			<ul style="list-style-type: none"> ■ In 2017 the maximum annual LTIP award of 100% of salary will be awarded to the CEO and CFO. ■ 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. ■ TSR performance of the Company compared to the FTSE 250 (excluding financial services, real estate and equity investment trusts) – with threshold vesting 25% for median performance against the index and full vesting for upper quartile performance; and ■ EPS growth – with threshold vesting of 25% for EPS growth of 6% per annum and full vesting for 16% per annum growth. ■ Straight line vesting between the points.
Non-Executive Directors' fees							The Non-Executive Director fees are to remain the same as the previous year. The current fee levels are: <ul style="list-style-type: none"> ■ Chairman – £175,000 ■ Board fee (including committee membership) – £50,000 ■ Committee Chairmanship (per committee) – £10,000 ■ Senior Independent Director – £5,000

Directors' Remuneration Report continued

Summary Remuneration Policy table

A summary of the approved Remuneration Policy is outlined below. There were no changes to the approved Policy made in 2016.

The full Policy as approved by shareholders on 26 May 2016 is available on our website at www.ibstockplc.com/investors.

Element of remuneration	Operation
Base salary	<p>The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Ibstock in the FTSE 250 (excluding financial services, real estate and equity investment trusts), validated against companies operating in a similar sector.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> ■ remuneration practices within the Group; ■ the general performance of the Group; ■ salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; ■ any change in scope, role and responsibilities; and ■ the economic environment. <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>In general, salary increases for Executive Directors will be in line with the increase for employees.</p>
Benefits	<p>The Executive Directors receive a company car or car allowance, private health cover, death in service cover and income protection.</p> <p>Additional benefits may be offered such as relocation allowances on recruitment.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>
Pension	<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>
Annual and Deferred Bonus Plan ("ADBP")	<p>The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 125% of salary.</p> <p>The maximum value of deferred shares is 50% of the bonus earned, which vest after a minimum deferral period of three years based on continued employment.</p>
Long-Term Incentive Plan ("LTIP")	<p>LTIP maximum grant is 100% of salary p.a. (150% in exceptional circumstances).</p> <p>The Committee considers and sets the performance measures and targets for each LTIP award. See page 64 for the details of the 2017 LTIP grant.</p> <p>The LTIP contains clawback and malus provisions.</p>
Share Incentive Plan ("SIP") and The Sharesave Plan	<p>The Company operates a SIP and Sharesave Plan in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff) to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.</p>
Minimum shareholding requirement	<p>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.</p> <ul style="list-style-type: none"> ■ Group Chief Executive Officer: 200% of salary. ■ Group Chief Financial Officer: 150% of salary.
Non-Executive Director and Chairman fees	<p>The fees for Non-Executive Directors and the Chairman are set at broadly the median of the comparator group.</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>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>

Malus and clawback

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

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

Illustrations of the application of the Remuneration Policy

The charts below illustrate the total remuneration that would be paid to each of the Executive Directors, based on salaries at the start of the 2017 financial year, under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. They also show the actual single figure of remuneration for the Executive Directors for the 2016 financial year.

The table overleaf 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

Wayne Sheppard

Minimum	100%			£537,049
On-target	52%	26%	21%	£1,025,693
Maximum	35%	36%	29%	£1,514,337
Actual	78%	22%		£788,685

Kevin Sims

Minimum	100%			£370,371
On-target	53%	26%	21%	£703,799
Maximum	36%	36%	29%	£1,037,226
Actual	77%	23%		£509,544

Fixed elements ■
 Bonus ■
 LTIP ■

Directors' Remuneration Report continued

Element	Description	Minimum	On-target	Maximum
Fixed	Salary ¹ , benefits and pension ² .	Included.	Included.	Included.
Annual bonus	Annual bonus (including deferred shares). Maximum opportunity of 125% of salary.	No annual variable.	50% of maximum bonus.	100% of maximum bonus.
LTIP	Award under the LTIP ³ . Maximum annual award of 100% of salary.	No multiple year variable.	50% of the maximum award.	100% of the maximum award.

1 – Salary is FY2017 base salary.

2 – Based on 2016 benefits payments and pension values as per the proposed 2017 implementation of policy. The actual benefits and pension contributions for 2017 will only be known at the end of the financial year.

3 – 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.

Participation in the SAYE scheme has been excluded, given the relative size of the opportunity levels.

Pay at risk

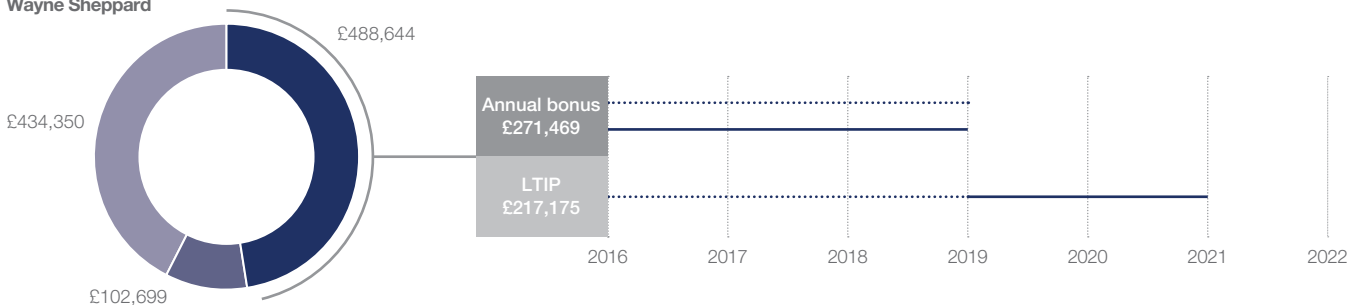
The charts below set out the single figure of each Executive Director based on whether the elements remain “at risk”. For example:

- 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.

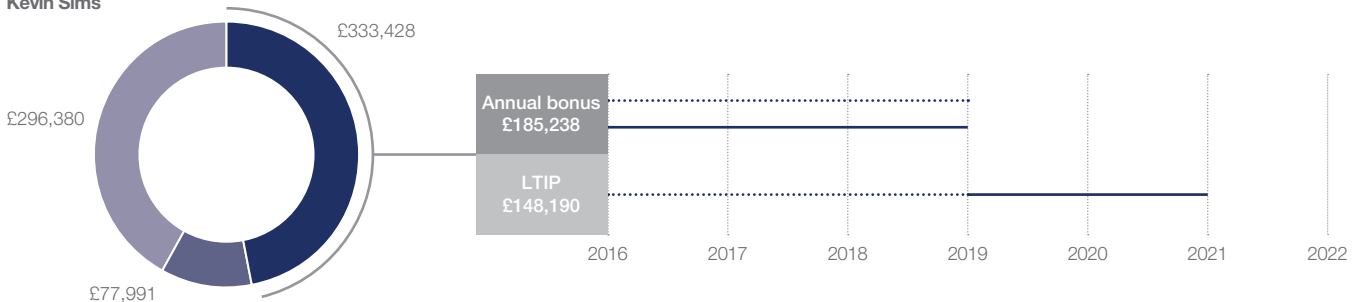
Figures have been calculated based on on-target performance (fixed elements plus 50% of maximum annual bonus and 50% of the maximum LTIP). The charts have been based on the same assumptions as set out above for the illustrations of the application of the Remuneration Policy.

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 —

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 Chammard	22 October 2015
Justin Read	19 December 2016

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.

Lynn Minella

Chair of the Remuneration Committee
7 March 2017

Directors' Report

The Directors present their report for the year ended 31 December 2016.

Cautionary statement

This Annual Report & Accounts has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report & Accounts involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report & Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report & Accounts 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 Guidance and Transparency Rules can be found in the corporate governance information on pages 38 to 76 (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 37 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	page 31
Likely future developments in the business	pages 5 and 10
Research and development	pages 24 and 25
Employment of disabled persons	page 22
Employee involvement	page 24
Disclosures concerning Greenhouse Gas Emissions	page 25

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.	page 42

Dividends

Subject to shareholder approval, the Directors have proposed a final dividend for the year ended 31 December 2016 of 5.3 pence per ordinary share. If approved, combined with the interim dividend of 2.4 pence per ordinary share paid in September 2016, the total dividend payment for the year would be 7.7 pence per ordinary share.

Directors

The names of the Directors who served during the year and up to the date of this report are on pages 38 and 39. Of those Directors, Justin Read was appointed as a Non-Executive Director 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 65.

There have been no movements in the Directors' shareholdings post the year-end.

The powers given to the Directors are contained in the Company's Articles of Association and are subject to relevant legislation and, in certain circumstances, including in relation to the issuing or buying back by the Company of its shares, subject to authority being given to the Directors by shareholders in general meeting. The Articles of Association also govern the appointment and replacement of Directors.

Articles of Association

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders.

Share capital and control

Details of the Company's share capital are contained in Note 24 to the Group consolidated financial statements. The rights attaching to the shares are set out in the Articles of Association.

The Company has established a trust in connection with the Group's Share Incentive Plan (the "SIP"), which holds ordinary shares on trust for the benefit of employees of the Group. The trustees of the SIP trust may vote in respect of Ibstock shares held in the SIP trust, but only as instructed by participants in the SIP in accordance with the SIP trust deed and rules. The trustees will not otherwise vote in respect of shares held in the SIP trust.

Substantial shareholdings

As at 31 December 2016, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its ordinary share capital.

Name of shareholder	Number of shares disclosed	% interest in issued share capital	Nature of holding
Diamond (BC) S.à r.l.	150,200,435	36.97%	Direct
Franklin Templeton Fund Management Limited	20,400,000	5.02%	Indirect
J O Hambro Capital Management Limited	20,364,772	5.01%	Indirect

In the period from 31 December 2016 to the date of this report, no further notifications were received.

Information provided to the Company under the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information service and on the Company's website.

Significant agreements (change of control)

The Company is required to disclose any significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid.

The Company has committed debt facilities all of which are directly or indirectly subject to change of control provisions, albeit the facilities do not necessarily require mandatory prepayment on a change of control.

In the event of a takeover or other change of control (usually excluding an internal reorganisation), outstanding awards under the Group's incentive plans vest and become exercisable (including ADBP cash awards, ADBP share awards and LTIP), to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable) unless determined otherwise by the Board in its discretion, in accordance with the rules of the plans. In certain circumstances, the Board may decide (with the agreement of the acquiring company) that awards will instead be cancelled in exchange for equivalent awards over shares in the acquiring company.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 37. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 31. In addition, Note 23 to the Group consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets.

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

Viability Statement

The Group's Viability Statement is set out on page 37 of the Strategic Report.

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:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and
- 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 47.

Directors' and Officers' liability insurance and indemnities

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities. The Company has also entered into qualifying third party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006. These indemnities came into force on 22 October 2015 and remain in force as at the date of this Annual Report & Accounts.

Financial instruments

Details of the financial instruments used by the Group are set out in Note 23 to the Group consolidated financial statements, which are incorporated into this Report of the Directors by reference. The Group's financial risk management objectives and policies are included in the Risk management overview on pages 32 to 36, and in Note 23 of the Group consolidated financial statements.

Political donations

No political donations were made during the period ended 31 December 2016.

Directors' Report continued**Annual General Meeting 2017**

The Annual General Meeting will be held on 24 May 2017, at 2:00 p.m. at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report.

In accordance with the Governance Code, and the Company's Articles of Association (which require Directors to submit themselves for annual re-election by shareholders), the Directors will all retire and will offer themselves for election or re-election at the forthcoming Annual General Meeting. The Chairman has confirmed that the performance of all of the Directors continues to be effective and that they continue to demonstrate their commitment to the role.

Auditor

During the year the Audit Committee conducted an external audit tender in accordance with best practice guidance and recommended to the Board that Deloitte LLP ("Deloitte") be appointed as the Company's auditor in place of Ernst & Young LLP ("EY"). The Board approved the recommendation. Further information regarding the tender process is given in the Audit Committee Report on page 57.

As a consequence, EY has notified the Company that it is not seeking reappointment at the forthcoming AGM and Deloitte has agreed to be appointed in its place. The statement of circumstances required under section 519 of the Companies Act 2006 is reproduced in the Appendix to the Notice of AGM.

A resolution is to be proposed at the AGM for the appointment of Deloitte as auditor of the Company.

On behalf of the Board

Robert Douglas
Company Secretary
7 March 2017

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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 2016 and of the group's profit for the year 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 2016 and for the year then ended comprise:

Group	Parent Company
Consolidated income statement	Company balance sheet
Consolidated statement of comprehensive income	Company statement of changes in equity
Consolidated balance sheet	Related Notes 1 to 12 to the Company financial statements
Consolidated statement of changes in equity	
Consolidated cash flow statement	
Related Notes 1 to 34 to the Consolidated 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 UK and Republic of Ireland".

Overview of our audit approach

Risks of material misstatement that had the greatest effect on our overall audit strategy and the allocation of resources in the audit	<ul style="list-style-type: none"> ■ Revenue recognition and particularly accounting for customer rebates ■ Determination of pension liabilities
Audit scope	<ul style="list-style-type: none"> ■ We performed a full scope audit of the complete financial information of all four trading components and the head office entities. ■ The full scope audit procedures accounted for 100% of each of Revenue, Profit before tax and Total assets.
Materiality	<ul style="list-style-type: none"> ■ Group materiality was £3.6m (2015: £2.0m) which represents approximately 5% of profit before tax before exceptional items (2015: 2% of Earnings before interest, tax, depreciation and amortisation before exceptional items).

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.

These risks are consistent with those identified and reported in 2015 with the exception that we have removed the risk in relation to acquisition accounting which is no longer relevant for the current year. As described in Note 1 to the Annual Report and Accounts, during 2016 a prior year error was identified in relation to deferred tax in respect of mineral land held by the group due to the incorrect determination of the associated tax base at acquisition on 26 February 2015. No further adjustments have been made or identified in respect of the acquisition accounting.

Risk	Our response to the risk	What we concluded to the Audit Committee
<p>Revenue recognition (£434.7m (2015: £358.3m) stated net of rebates for the period) and accounting for customer rebates</p> <p>Refer to the Audit Committee Report (page 55); Accounting policies (from page 89); and Note 4 of the consolidated financial statements (page 98).</p> <p>Revenue recognition is a significant audit risk across all trading 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 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 and Forticrete. We relied on these controls in our audit approach. We walked through the controls at Supreme and Glen-Gery to confirm the design although we undertook a substantive audit of the revenue process.</p> <p>We used data analytics at the Ibstock Brick, Supreme and Forticrete components to capture 100% of the revenue transaction flows and analysed the relationship between revenue, debtors and cash.</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>We inspected revenue transactions around the period end and tested a sample of these to ensure they were recorded in the correct period.</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 to ensure the amounts deducted from revenue were appropriate.</p> <p>For a sample of customers we validated, through third party confirmation procedures, that the terms on which the rebate calculations were based were complete and accurate.</p> <p>We performed hindsight analysis over the accuracy of prior period rebate balances by assessing the cash paid after prior year end and compared this to the related accrual.</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 rebate 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 assess 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 period end.</p>	<p>Our audit procedures did not identify any material differences regarding revenue recognition or the accounting for rebates.</p> <p>Our journals testing did not identify any manual adjustments to revenue or inappropriate adjustments to rebates.</p>
<p>Determination of pension liabilities £698.0m (2015: £550.5m)</p> <p>Refer to the Audit Committee Report (page 55); Accounting policies (from page 89); and Note 21 of the consolidated financial statements (page 114).</p> <p>As at the year end, the Ibstock Defined Benefit Pension Scheme (as defined in Note 21) had a net deficit of £28.7m (2015: restricted surplus of £0.3m) with assets of £683.6m (2015: £558.9m) and liabilities of £698.0m (2015: £550.5m). The determination of the liability component is sensitive to small movements in the input assumptions which could materially change the valuation.</p>	<p>We evaluated the output of the actuary used by management by giving due consideration to their competence, experience and independence.</p> <p>We involved our pension specialists to assist us in evaluating the validity of the input assumptions including in respect of the discount rate, inflation rate, cash commutation and mortality assumptions. The methodology to determine the assumption has been assessed for appropriateness. The assumptions have also been assessed with respect to available market data and consistency with actuarial practice, scheme profile and market developments.</p> <p>We assessed the pension curtailment gain recognised in the current year to ensure it had been calculated using an appropriate methodology and inputs. We assessed the magnitude and nature of the curtailment gain to evaluate whether the disclosure as exceptional is appropriate.</p> <p>We checked a sample of participant data to underlying information sources such as the payroll system.</p> <p>We tested the calculation of the additional liability resulting from the application of IFRIC 14 and considering committed minimum funding requirements, as prepared by the actuary (management's expert), by independently modelling the calculation including corroborating the data inputs.</p>	<p>The actuarial assumptions used in the IAS 19 valuation of the year end pension liabilities are considered to be within an acceptable range for a scheme with the characteristics of the Ibstock Defined Benefit Pension Scheme.</p> <p>The pension liability and curtailment gain have been appropriately disclosed in the financial statements.</p>

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

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 trading components Ibstock Brick, Forticrete, Supreme (all located in the UK) and Glen-Gery (located in the US).

We also performed full scope procedures on the Figgs head office entities, comprising various holding companies in the group structure (together the "Figgs companies").

Our scoping approach is consistent with the prior year. All components were designated full scope and resulted in 100% coverage of the group's Revenue, Profit before tax before exceptional items, Exceptional items and Total assets (2015: 100% coverage of the group's Revenue, Profit before tax before exceptional items, Exceptional items 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 Ibstock Brick by the primary team and on Forticrete, Supreme and Glen-Gery by three component teams. 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.

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 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.

A senior member of the primary team attended the closing meeting of each of the 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.

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 £3.6m (£2.0m), which is approximately 5% of Profit before tax before exceptional items (2015: 2% of Earnings before interest, tax, depreciation and amortisation before exceptional items). Profit before tax before exceptional items for the year is £82.1m as per the Income Statement in the consolidated financial statements. In the prior period Earnings before interest, tax, depreciation and amortisation and before exceptional items was considered to be the key performance indicator of the group due to the focus of stakeholders during the IPO and the level of non-recurring transactions during the period. With one full year as a listed group a materiality based on the Profit before tax before exceptional items of the group is deemed more appropriate and is consistent with other listed companies. The increase in materiality is primarily due to the increase in Profit before tax before exceptional items.

Starting basis

£110.9m profit before tax as per the Annual Report and Accounts

Adjustments

(£28.7m) adjusted for exceptional items as per note 5 of the Annual Report and Accounts

Materiality

£3.6m represents approximately 5% of the profit before tax before exceptional items

During the course of our audit, we reassessed initial materiality and determined that 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 set at 50% of our planning materiality, being £1.8m (2015: 50%, £1.0m). We have set performance materiality at this percentage due to our past audit. Our objective in adopting this approach was to ensure that the total uncorrected and undetected audit differences did not exceed our planning materiality of £3.6m for the financial statements as a whole.

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:

£m	2016	2015
Ibstock Brick	1.50	0.90
Forticrete	0.50	0.30
Supreme	0.80	0.45
Glen-Gery	0.88	0.45
Figgs companies	0.35	0.20

The increase in allocation year on year is as a result of the higher performance materiality of £1.8m (2015: £1.0m).

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 £180,000 (2015: £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 47, 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
- based on the work undertaken in the course of the audit:
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

<p>ISAs (UK and Ireland) reporting</p>	<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"> ■ materially inconsistent with the information in the audited financial statements; or ■ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or ■ otherwise misleading. <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>	<p>We have no exceptions to report.</p>
<p>Companies Act 2006 reporting</p>	<p>In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.</p> <p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> ■ 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 ■ 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 ■ certain disclosures of Directors' remuneration specified by law are not made; or ■ we have not received all the information and explanations we require for our audit. 	<p>We have no exceptions to report.</p>
<p>Listing Rules review requirements</p>	<p>We are required to review:</p> <ul style="list-style-type: none"> ■ the Directors' statement in relation to going concern set out on page 75 and longer term viability set out on page 37; and ■ 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. 	<p>We have no exceptions to report.</p>

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

<p>ISAs (UK and Ireland) reporting</p>	<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"> ■ 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; ■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; ■ 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 12 months from the date of approval of the financial statements; and ■ 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. 	<p>We have nothing material to add or to draw attention to</p>
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Adrian Roberts (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
7 March 2017

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	Year ended 31 December 2016 £'000	Restated period from 28 November 2014 to 31 December 2015 £'000
Revenue	4	434,687	358,331
Cost of sales before exceptional items		(268,554)	(213,587)
Gross profit before exceptional items		166,133	144,744
Exceptional cost of sales	5	(353)	(15,977)
Gross profit		165,780	128,767
Distribution costs		(36,523)	(29,265)
Administrative expenses before exceptional items		(47,258)	(36,814)
Other exceptional administrative items	5	(1,741)	(24,138)
Administrative expenses		(48,899)	(60,952)
Negative goodwill on acquisition	5/26	–	115,738
Exceptional curtailment gain	5	30,317	–
Profit/(loss) on disposal of property, plant and equipment	6	625	(1,403)
Other income		3,439	2,998
Other expenses		(693)	(688)
Operating profit		113,946	155,195
Finance costs before exceptional items		(4,371)	(29,519)
Exceptional finance costs	5/8	–	(39,922)
Finance costs	8	(4,371)	(69,441)
Finance income before exceptional items		764	498
Exceptional finance income	5/9	522	–
Finance income	9	1,286	498
Net finance cost		(3,085)	(68,943)
Profit before taxation		110,861	86,252
Taxation	10	(20,498)	7,715
Profit for the financial period		90,363	93,967
Profit attributable to:			
Owners of the Parent		90,363	93,967
	Notes	Pence	Pence
Earnings per share			
Basic	11	22.3	32.6
Diluted	11	22.1	32.6

The notes on pages 89 to 136 form an integral part of these Group consolidated financial statements.

All amounts relate to continuing operations.

The consolidated income statement figures for the period ended 31 December 2015 only includes trading activities from 26 February 2015 following the acquisition of the trading business. Note 26, Business combinations, includes the performance of the Group as if the trading business had been owned for the full 12-month period ended 31 December 2015. See Note 1 for details for the prior period restatement arising in the current year.

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2016 £'000	Restated period from 28 November 2014 to 31 December 2015 £'000
Profit for the financial period		90,363	93,967
Other comprehensive income/(expense):			
Items that will not be reclassified to the profit or loss			
Remeasurement of post employment benefit assets and obligations	21	(66,896)	11,709
Remeasurement of post employment benefits – surplus restriction	21	(5,877)	(8,037)
Related tax movements	10	14,061	(734)
		(58,712)	2,938
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		14,946	1,097
		14,946	1,097
Other comprehensive (expense)/income for the period, net of tax		(43,766)	4,035
Total comprehensive income for the period, net of tax		46,597	98,002
Total comprehensive income attributable to:			
Owners of the Parent		46,597	98,002

The notes on pages 89 to 136 form an integral part of these Group consolidated financial statements.

The consolidated statement of comprehensive income figures for the period ended 31 December 2015 only includes trading activities from 26 February 2015 following the acquisition of the trading business. Note 26, Business combinations, includes the performance of the Group as if the trading business had been owned for the full 12-month period ended 31 December 2015. See Note 1 for details for the prior period restatement arising in the current year.

Non-GAAP measure

Reconciliation of adjusted EBITDA to Operating profit for the financial period.

	Notes	Year ended 31 December 2016 £'000	Period from 28 November 2014 to 31 December 2015 £'000
Adjusted EBITDA		111,633	102,299
Add back exceptional items	5	28,223	75,623
Less loss on disposal of property, plant and equipment	6	–	(1,403)
Less depreciation and amortisation	6	(25,910)	(21,324)
Operating profit		113,946	155,195

Consolidated balance sheet

	Notes	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Intangible assets	12	123,286	127,803
Property, plant and equipment	13	392,303	346,885
Post-employment benefit asset	21	–	331
		515,589	475,019
Current assets			
Inventories	14	88,757	83,057
Trade and other receivables	15	52,148	58,623
Current tax recoverable		–	918
Deferred tax assets	22	1,560	1,228
Cash and cash equivalents	16	45,829	51,024
		188,294	194,850
Assets held for sale	17	1,203	–
Total assets		705,086	669,869
Current liabilities			
Trade and other payables	18	(80,220)	(79,236)
Borrowings	19	(13,044)	(14,097)
Current tax payable		(7,098)	–
Provisions	20	(462)	(1,291)
		(100,824)	(94,624)
Net current assets		88,673	100,226
Total assets less current liabilities		604,262	575,245
Non-current liabilities			
Borrowings	19	(165,556)	(181,658)
Post-employment benefit obligations	21	(38,074)	(8,007)
Deferred tax liabilities	22	(57,005)	(63,497)
Provisions	20	(14,170)	(13,182)
		(274,805)	(266,344)
Net assets		329,457	308,901
Equity			
Share capital	24	4,063	4,055
Share premium	24	–	–
Retained earnings		677,361	671,759
Merger reserve	25	(369,119)	(369,119)
Other reserves	25	1,109	1,109
Currency translation reserve	25	16,043	1,097
Total equity		329,457	308,901

The notes on pages 89 to 136 form an integral part of these Group consolidated financial statements. See Note 1 for details of the prior period restatement arising in the current year.

These financial statements were approved by the Board on 7 March 2017 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
At 1 January 2016	4,055	–	–	671,759	(369,119)	1,109	1,097	308,901
Profit for the year	–	–	–	90,363	–	–	–	90,363
Other comprehensive income	–	–	–	(58,712)	–	–	14,946	(43,766)
Total comprehensive income for the year	–	–	–	31,651	–	–	14,946	46,597
Transactions with owners:								
Share based payments	27	–	–	1,526	–	–	–	1,526
Deferred tax on share based payment	22	–	–	48	–	–	–	48
Equity dividends	33	–	–	(27,615)	–	–	–	(27,615)
Issue of share capital	24	8	–	(8)	–	–	–	–
At 31 December 2016	4,063	–	–	677,361	(369,119)	1,109	16,043	329,457
On incorporation on 28 November 2014	–	–	–	–	–	–	–	–
Profit for the period as previously stated	–	–	–	101,574	–	–	–	101,574
Prior year adjustment	1	–	–	(7,607)	–	–	–	(7,607)
Profit for the period, as restated	–	–	–	93,967	–	–	–	93,967
Other comprehensive income	–	–	–	2,938	–	–	1,097	4,035
Total comprehensive income for the financial period as restated	–	–	–	96,905	–	–	1,097	98,002
Transactions with owners:								
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	24	50	–	–	–	–	–	50
Ibstock plc shares issued in exchange for shares in Figgs Topco Limited	24	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	24	526	99,473	–	–	–	–	99,999
Share issue costs	24	–	(4,952)	–	–	–	–	(4,952)
Share capital and share premium reduction	24	(479,189)	(94,521)	573,710	–	–	–	–
		4,055	–	573,710	(369,119)	–	–	208,646
Share based payments	27	–	–	1,199	–	–	–	1,199
Deferred tax on share based payment	22	–	–	(55)	–	–	–	(55)
Contingent consideration on acquisition	26	–	–	–	–	1,109	–	1,109
Transactions with owners	4,055	–	–	574,854	(369,119)	1,109	–	210,899
Balance at 31 December 2015, as restated	4,055	–	–	671,759	(369,119)	1,109	1,097	308,901

The notes on pages 89 to 136 form an integral part of these Group consolidated financial statements. See Note 1 for details of the prior period restatement arising in the current year.

Consolidated cash flow statement

	Note	Year ended 31 December 2016 £'000	Period from 28 November 2014 to 31 December 2015 £'000
Cash flow from operating activities			
Cash generated from operations	29	104,805	91,567
Interest paid		(4,588)	(46,143)
Tax paid		(6,957)	(3,460)
Net cash inflow from operating activities		93,260	41,964
Cash flows from investing activities			
Purchase of property, plant and equipment		(59,151)	(9,401)
Purchase of intangible		(121)	–
Proceeds from sale of property plant and equipment		1,759	13
Acquisition of subsidiaries, net of cash acquired	26	–	(365,384)
Interest received		–	12
Net cash (outflow) from investing activities		(57,513)	(374,760)
Cash flows from financing activities			
Proceeds from issuance of equity shares		–	110,654
Equity issue costs		–	(3,202)
Dividends paid		(27,615)	–
Drawdown of borrowings		–	569,000
Repayment of borrowings		(15,000)	(274,000)
Debt issue costs		–	(18,737)
Net cash (outflow)/inflow from financing activities		(42,615)	383,715
Net (decrease)/increase in cash and cash equivalents		(6,868)	50,919
Cash and cash equivalents at beginning of the period		51,024	–
Exchange gains on cash and cash equivalents		1,673	105
Cash and cash equivalents at end of period		45,829	51,024

The notes on pages 89 to 136 form an integral part of these Group consolidated financial statements. See Note 1 for details of the prior period restatement arising in the current year.

Notes to the Group consolidated financial statements

1. Summary of significant accounting policies

Authorisation of financial statements

The Group consolidated financial statements of Ibstock plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 7 March 2017. The balance sheet was signed on behalf of the Board by W Sheppard and K Sims.

Ibstock plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the company registration number is 09760850.

Basis of preparation

The Group consolidated financial statements of Ibstock plc for the year ended 31 December 2016 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.

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 Group 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.

Prior year restatement

Management has identified a misstatement related to the information presented in our 2015 Annual Report & Accounts, and has restated the comparative amounts for the prior period presented. The misstatement related to the non-recognition of a deferred taxation liability in respect of mineral land held by the Group due to the incorrect determination of the associated tax base.

The restatement results in the recognition of an additional deferred taxation liability of £8,453,000 at the date of acquisition (26 February 2015) in the comparative period and a reduction to the negative goodwill of the same amount. In the comparative period, the taxation credit is increased by £846,000 and the deferred taxation balance has been restated to increase the liability by £7,607,000 to £63,497,000. Basic and diluted earnings per share are both reduced by 2.6 pence per share in the comparative period, although the previously reported adjusted EBITDA is unaffected by this restatement.

Basis of consolidation and acquisition accounting

The Group consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2016. 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 30.

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 26), from that date.

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 within the Company's control this contingent consideration is accounted for as a credit to equity within other reserves and is not subsequently adjusted.

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 26 to 27. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Director's Report on 74 to 76. In addition, Note 23 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.

Notes to the Group consolidated financial statements continued

1. Summary of significant accounting policies continued

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 37.

New standards, amendments and interpretations not yet adopted

The Group has adopted the amendments to IAS 1 during the current year. This has had no material impact on the financial restatement and related disclosures.

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2016, and have not been applied in preparing these Group consolidated financial statements. None of these is expected to have a significant effect on the Group 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 of financial assets that are debt instruments 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. 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. The Group has completed an assessment of the impact of IFRS 15 and determined that the standard will have no material impact on the Group's financial reporting.

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 lessee and the 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 in the process of assessing the impact of IFRS 16. The Group's operating lease commitments are disclosed in Note 28.

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 and there are no current plans to early adopt any of the above-mentioned standards.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Finance Officer of the Group. The CODM reviews the key profit measure, "Adjusted EBITDA" disaggregated by UK and US based on geographical location and the organisational structure of the Group.

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 Group 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. The Group does not currently undertake such hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented 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 12.

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.

Notes to the Group consolidated financial statements continued

1. Summary of significant accounting policies continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on a weighted average cost basis, while work in progress and finished goods are held at direct cost 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 15 and 16, 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. No financial assets are held for trading other than derivatives.

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.

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 recognised if future economic benefits are available to the entity in the form of a reduction in the future contributions or a right to refund. See below judgement regarding the application of IFRIC 14.

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, taking account of any changes in the defined benefit asset/liability during the period as a result of contributions and benefit payments. This cost is included in interest expense in the income statement.

When the benefits of a defined benefit plan are changed or when the plan is curtailed, the change in the present value of the defined benefit obligation arising that relates to the plan amendment or curtailment is recognised immediately in profit or loss on its occurrence. Before determining the past service cost (including curtailment gains or losses) or a gain or loss on settlement, the net defined benefit obligation (asset) is remeasured using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices) reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

At 31 December 2015, a reimbursement asset was recognised representing an indemnity receivable from the former parent undertaking which was 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 21). This asset was received in January 2016.

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. 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.

Notes to the Group consolidated financial statements continued

1. Summary of significant accounting policies continued

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.

Off-market rental provisions relate to leases acquired as part of business combinations.

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, generally coterminous with the Group's financial year-end, and are recorded in the same period as the related sales as a deduction from revenue. The Group estimates the provision for customer rebates based on the terms of each agreement at the time the revenue is recognised.

Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses 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 5.

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 and adjusted EPS is the Group's measure for calculating distributions to shareholders.

The adjustments made to profit in arriving at adjusted EBITDA are described and reconciled below the Statement of Other Comprehensive Income. Adjusted EPS is reconciled to statutory EPS measures in Note 11. Neither measure is defined under IFRSs and may not be comparable with similarly titled measures reported by other companies.

It is not intended that either adjusted measure is a substitute for, or superior to, statutory measurements.

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.

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 determination is made.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts included in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The amount of deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets and liabilities are not subject to discounting.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary difference can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, 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.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets and disposal groups are measured at the lower of carrying amount and fair value less the costs to sell. Non-current assets classified as held for sale (or that form part of a disposal group classified as held for sale) are not depreciated or amortised.

Share based payments

The Group operates a number of equity-settled share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (for example options or shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the 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 27.

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. The Group has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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:

Notes to the Group consolidated financial statements continued

2. Critical accounting judgements and estimates continued

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. Assessment of useful lives and residual values are performed annually, taking into account factors such as technological innovation, maintenance programmes, market information and management considerations. In assessing the residual values, the remaining life of the asset, its projected disposal value and future market conditions are taken into account. The carrying value of property, plant and equipment, and a table showing the useful economic lives of these assets is disclosed in Note 13.

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 Group 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. See Note 13 for details of the carrying value of mineral reserves.

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 Group 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. Key estimates within these provisions relate to the estimation of costs and the timing of future financial outflows to settle these obligations. Further details of specific estimates used in arriving at these provisions are provided in Note 20.

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.

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 2016 as management's judgement, based on a rigorous assessment, was that there were no indicators of impairment.

A requirement for an impairment test also arises when a non-current asset is classified as being held for sale, at which time it must be remeasured at the lower of its carrying amount and fair value less cost to sell. Management's assessment was to retain all assets held for sale at their carrying value since this is exceeded by the fair value less costs to sell.

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. Management uses Adjusted EBITDA in its assessment of performance. Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. A full reconciliation is included at the foot of the Group statement of comprehensive income within the financial statements.

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.

In the current year, management has made the judgement to remove the profit on disposal of property, plant and equipment from the category of exceptional items due to management's identified programme of surplus asset disposals. The prior year loss on disposal of property, plant and equipment was classified as an exceptional item as it was outside of the disposal programme.

Exceptional items are disclosed in Note 5. The reconciliation of prior year statutory reported results for the period ended 31 December 2015 to the adjusted period referred to within this Annual Report & Accounts is included in Note 3.

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 8.

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. Management will reassess these assumptions going forward following the closure of the Scheme.

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. See Note 21(b) for further details.

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 accounting for defined benefit plans, management is required to make judgements 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 an actuarial surplus/notional surplus on the UK defined benefit pension scheme, should such a surplus/notional surplus arise in future. The Group has considered the application of this guidance, including proposed amendments to IFRIC 14 published as an exposure draft in June 2015. The Group has applied IFRIC 14 and recognised an additional liability of £14.2 million for minimum funding requirements. The Group has applied IFRIC 14 in preparing the Group consolidated financial statements, has reassessed these assumptions following the closure of the Scheme, and is keeping the position under review in the light of developments in the proposed amendments to IFRIC 14.

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

Note 21 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

3. Reconciliation of statutory result to adjusted result for the year ended 31 December 2015

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 within the statutory results for the period ended 31 December 2015. Due to the unusual nature of this comparative financial information within the statutory results, management has provided adjusted results for the period assuming the acquisition had arisen on 1 January 2015. Management believes this provides shareholders with clearer information on the results of the operating entities' relative performance in 2015. A reconciliation to the statutory information for the period ended 31 December 2015 is shown in the table, below.

	12 months ended 31 December 2015 (restated)		
	Revenue £'000	Adjusted EBITDA £'000	Operating profit £'000
Statutory reported result for the period from 28 November 2014 (incorporation) to 31 December 2015¹	358,331	102,299	155,195
Pre-acquisition costs in the period from 28 November 2014 (incorporation) to 31 December 2014 ²	–	–	571
Operating result for the period from 1 January 2015 to 26 February 2015 ³	54,497	4,715	1,259
Adjustment to operating result assuming acquisition took place on 1 January 2015 ⁴	–	–	(1,490)
12 months trading result for the year ended 31 December 2015	412,828	107,014	155,535
UK segment	336,290	99,023	
US segment	76,538	7,991	
	412,828	107,014	

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.

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 for the period from 1 January 2015 to 26 February 2015, assuming the transaction took place on 1 January 2015.

Notes to the Group consolidated financial statements continued

4. 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. No aggregation of segments has been applied.

	Year ended 31 December 2016			
	UK £'000	US £'000	Unallocated £'000	Total £'000
Clay revenue	253,592	90,539	–	344,131
Concrete revenue	90,556	–	–	90,556
Total revenue from external customers	344,148	90,539	–	434,687
Adjusted EBITDA	102,954	12,751	(4,072)	111,633
Pension closure costs	28,678	–	–	28,678
Acquisition costs	(102)	–	–	(102)
Exceptional cost of sales	(353)	–	–	(353)
EBITDA after exceptional items	131,177	12,751	(4,072)	139,856
Depreciation and amortisation pre-fair value uplift	(12,401)	(4,055)	–	(16,456)
Incremental depreciation and amortisation following fair value uplift	(8,717)	(737)	–	(9,454)
Net finance costs	(3,183)	98	–	(3,085)
(Loss)/profit before tax	106,876	8,057	(4,072)	110,861
Total assets	579,431	125,655	–	705,086
Total liabilities	(341,650)	(33,979)	–	(375,629)
Non-current assets				
Intangible assets	111,810	11,476	–	123,286
Property, plant and equipment	337,843	54,460	–	392,303
Total	449,653	65,936	–	515,589

The unallocated segment balance includes the fair value of share based payments and associated taxes of (£2.0 million), plc Board costs (£1.4 million), legal expenses associated with the listed business (£0.5 million). Unallocated costs in the prior period amounted to £0.7 million and therefore the prior period segmental analysis has not been restated on the basis of materiality.

All assets held for sale relate to the UK segment.

	Period ended 31 December 2015 (restated)			
	UK £'000	US £'000	Negative goodwill on acquisition £'000	Total £'000
Clay revenue	216,339	70,535	–	286,874
Concrete revenue	71,457	–	–	71,457
Total revenue from external customers	287,796	70,535	–	358,331
Adjusted EBITDA	91,167	11,132	–	102,299
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)
EBITDA after exceptional items	54,733	6,048	–	60,781
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	–	–	115,738	115,738
Net finance costs	(68,188)	(755)	–	(68,943)
(Loss)/profit before tax	(31,557)	2,071	115,738	86,252
Total assets	566,236	102,405	–	668,641
Total liabilities	(335,759)	(23,981)	–	(359,740)
Non-current assets				
Intangible assets	118,127	9,676	–	127,803
Property, plant and equipment	299,280	47,605	–	346,885
Total	417,407	57,281	–	474,688

Notes to the Group consolidated financial statements continued

5. Exceptional items

	Notes	Year ended 31 December 2016 £'000	Period ended 31 December 2015 (restated) £'000
Exceptional costs of sales		(353)	(15,977)
Exceptional administrative expenses:			
<i>Pension closure costs</i>			
Legal and actuarial costs		(731)	–
Compensation payments		(908)	–
		(1,639)	–
<i>Acquisition costs</i>			
Transaction costs		(102)	(9,392)
Retention and compensation payments	27(b)	–	(986)
		(102)	(10,378)
<i>IPO costs</i>			
Transaction costs		–	(12,497)
Retention and compensation payments		–	(1,263)
		–	(13,760)
Total exceptional administrative expenses		(1,741)	(24,138)
Curtailment gain		30,317	–
Negative goodwill on acquisition		–	115,738
		28,223	75,623
Loss on disposal of property, plant and equipment	13	–	(1,403)
Exceptional finance income		522	–
Exceptional finance costs		–	(39,922)
Total exceptional items		28,745	34,298

2016

Included within the current year are the following exceptional items:

Exceptional cost of sales

Exceptional costs of sales in the current year of £353,000 represent redundancy costs associated with restructuring the Group's operations in Ravenhead. Similar activities resulting in these costs are only expected to arise infrequently.

Pension closure costs

Professional advisor fees of £731,000, together with employee compensation payments of £908,000, were incurred in the current year in relation to the closure of the Group's UK defined benefit pension scheme. Due to the non-recurring nature of the closure, these costs were treated as exceptional.

A curtailment gain of £30,317,000 arose in 2016 as a result of the Group's decision to close the UK defined benefit scheme to future accrual.

Transaction costs

Professional fees and other costs of £102,000 incurred in the current year have been classified as exceptional. These costs are directly attributable to acquisition activity arising in the year and were classified as exceptional due to their non-recurring nature.

Exceptional finance income

Exceptional finance income in the year resulted from gains made on foreign currency contracts around the date of the UK's EU Referendum. Similar gains are not expected to recur.

All exceptional items were settled in cash, other than compensation costs accrued at the balance sheet date and the pension curtailment gain that is non-cash in nature based on an actuarial valuation of the Group's UK defined benefit pension scheme as at 31 December 2016.

Tax on exceptional items

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

- (i) The curtailment gain of £30,317,000 is not taxable in the current period. A deferred tax expense of £5,850,000 has been recognised in the period.
- (ii) Administrative expenses include additional employer pension contributions of £265,000 arising from the closure of the Group's UK defined benefit pension scheme. These pension contributions are tax deductible on a paid basis and a deferred tax asset of £51,000 has therefore been recognised.
- (iii) Administrative expenses include exceptional legal and professional fees of £102,000 which are not tax deductible.

2015

Included within the prior period are the following exceptional items:

Acquisition costs

Exceptional costs of sales

Inventory values were uplifted to fair value at the date of the acquisition, increasing costs of sales in the post-acquisition period. The £15,977,000 cost incurred for the utilisation of the fair value uplift adjustment on inventory was considered an exceptional costs of sales 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 of £9,392,000 were classified as exceptional in the prior period. These costs were directly attributable to the acquisition transaction which occurred in February 2015 and were 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 related to retention bonuses due to key staff which were committed to as part of the Group's acquisition by Bain and the settlement of 'B' shares held by management.

IPO costs

Transaction costs

Costs of £12,497,000 were incurred during the process of the Group's Initial Public Offering. This represented professional fees, management fees incurred prior to the listing and other transaction costs. Due to the non-recurring and material nature of such costs, they were classified as exceptional in the prior 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 were treated as exceptional in the prior period. See Note 27(c)(i) for further details of the award. All other employee share schemes have been treated as recurring costs.

Negative goodwill

Negative goodwill of £115,738,000 arose on the acquisition of the trading entities. For further details of how negative goodwill was generated on the business combination, see Note 26.

Loss on disposal of property, plant and equipment

The loss on disposal of property, plant and equipment relates to asset disposals and impairments incurred in the prior year.

All exceptional items were settled in cash, other than 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.

Notes to the Group consolidated financial statements continued

5. Exceptional items continued

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 £115,738,000 is non-taxable and therefore did not impact the reported tax credit for the prior period.
- (ii) Acquisition costs of £7,039,000 and IPO transaction costs of £11,769,000 were treated as non-tax deductible and increased the current tax charge by £3,808,000.
- (iii) A deferred tax asset of £150,000 was 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 8 were tax deductible in full in the prior period.

6. Operating profit

	Notes	Year ended 31 December 2016 £'000	Period ended 31 December 2015 (restated) £'000
Operating profit includes the effect of crediting/(charging):			
Changes in inventories of finished goods and work in progress		(2,571)	(8,400)
Raw material and consumable used		(74,661)	(74,820)
Employee benefit expense	7	(91,328)	(74,541)
Depreciation and amortisation	13,12	(25,910)	(21,324)
Fair value unwind of inventories	5	–	(15,977)
Other production costs		(74,436)	(34,502)
Total cost of sales		(268,907)	(229,564)
Transportation expenses		(36,523)	(29,265)
Other employee benefit expenses	7	(32,245)	(22,573)
Profit/(loss) on disposal of property, plant and equipment	13	625	(1,403)
Advertising costs		(2,642)	(1,475)
Operating lease payments		(6,920)	(5,771)
Operating lease income		563	550
Exceptional administrative expenses	5	(1,741)	(24,138)
Exceptional curtailment gain	5	30,317	–
Negative goodwill on acquisition	5,26	–	115,738

Auditor remuneration

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

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Group		
Fees payable to the Company's auditor and its associates for the audit of Parent Company and Group consolidated financial statements:	60	100
Fees payable to the Company's auditor and its associates for other services:		
– Audit-related assurance services	46	–
– Audit of the Company's subsidiaries	334	385
– Tax compliance services	18	18
– Tax advisory services	18	16
– Audit related and transaction advisory services in respect of the initial public offering	–	1,500
– Information technology services	40	–
Total	516	2,019

7. Employees and directors

Staff costs for the Group during the period:

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
	Notes	
Wages and salaries	97,675	75,034
Social security costs	13,228	9,612
Pensions costs-defined benefit plans	21 9,362	9,895
Pensions costs-defined contribution plans	21 1,779	1,374
Share based payments	27 1,529	1,199
	123,573	97,114

The US post-employment benefits are accounted for as a defined contribution scheme and costs are included in the pension costs – defined contribution category, above.

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

	Year ended 31 December 2016	Period ended 31 December 2015
Sales staff	325	326
Administrative staff	217	200
Production staff	2,141	2,110
	2,683	2,636

	Year ended 31 December 2016	Period ended 31 December 2015
Key management compensation		
Short-term employee benefits	2,522	2,052
Post-employment benefits	169	99
Share-based payment	209	1,181
	2,900	3,332

Notes to the Group consolidated financial statements continued

7. Employees and directors continued

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 58 to 73. The aggregate remuneration for the purposes of the financial statements is £1,466,000 (period ended 31 December 2015: 1,180,000).

8. Finance costs

	Notes	Year ended 31 December 2016 £'000	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 (old) (ii)		–	(797)
Interest payable on revolving credit facility (new) (ii)		(16)	–
Interest payable on bank borrowings (old facility) (iii)		–	(18,744)
Interest payable on bank borrowings (new facility) (iii)		(2,468)	(1,095)
Exceptional finance charge on extinguishment of secured borrowings and loss on early settlement of revolving credit facility (iii)		–	(39,922)
Foreign exchange translations		127	–
Total interest payable on bank borrowings		(2,357)	(60,558)
<i>Interest expense on financial liabilities at amortised cost</i>		(2,357)	(68,502)
Net interest costs arising on the UK pension scheme	21	–	(31)
Net interest costs arising on the US pension scheme		(39)	(417)
Unwinding of discount on provisions/changes in discount rate	20	(1,975)	(491)
<i>Non-cash payable interest</i>		(2,014)	(939)
Total finance costs		(4,371)	(69,441)

2016

Included within the current year are the following finance costs:

A new bank borrowing facility was entered into in September 2015 with new lenders and first drawn in October 2015 as disclosed in Note 19. This financial instrument is also classified as "other financial liabilities" and held at amortised cost using the effective interest method.

During the year a credit of c.£3.2 million was included within the interest payable as a result of the lower interest rate payable.

Borrowing costs related to capital expenditure are insignificant and have not been capitalised.

2015

Included within the prior period are the following Finance costs:

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 £51.8 million. 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 £40 million 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 £1.88 million.

- (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 million was levied based on the nature and timing of the settlement. The initial drawdown value of the borrowings was £250 million 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 first drawn in October as disclosed in Note 19. 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 19.

9. Finance income

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Interest income:		
Other interest receivable	–	16
Fair value gain on financial instrument	522	482
Net interest income arising on the UK pension scheme (Note 21)	764	–
	1,286	498

Notes to the Group consolidated financial statements continued

10. Taxation

Analysis of income tax charge

	Notes	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Current tax on profits for the period		17,958	1,878
Foreign withholding tax suffered		–	291
Adjustments in respect of prior period		(266)	–
Total current tax		17,692	2,169
Deferred tax on profits for the period		5,584	(3,205)
Adjustment in respect of previously unrecognised tax losses		(185)	(738)
Impact of change in tax rate		(3,072)	(5,941)
Adjustments in respect of prior period		479	–
Total deferred tax	22	2,806	(9,884)
Income tax expense/(credit) reported in the consolidated income statement		20,498	(7,715)
The total tax expense/(credit) comprises:			
UK		18,733	(7,413)
US		1,765	(302)
		20,498	(7,715)

Income tax recognised within the consolidated statement of other comprehensive income

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities:		
Current tax (credit)	(2,608)	–
Deferred tax (credit)/charge	(11,406)	734

Income tax recognised within the consolidated statement of changes in equity

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Deferred tax (credit)/charge on share based payments	(48)	55

The tax credit for the period differs from the applicable standard rate of corporation tax in the UK of 20% (period ended 31 December 2015: 20.25%) in the year ended 31 December 2016. The differences are explained below:

	Year ended 31 December 2016 £'000	Percentage	Period ended 31 December 2015 (restated) £'000	Percentage (restated)
Profit before tax	110,861	100%	86,252	100%
Profit before tax multiplied by the rate of corporation tax in the UK	22,172	20.00%	17,466	20.25%
Effects of:				
Expenses not deductible	698	0.63%	1,133	1.31%
US withholding tax suffered	–	–	291	0.34%
Different effective tax rate on US current period earnings	652	0.59%	137	0.16%
Adjustment in respect of previously unrecognised tax losses	(185)	(0.17%)	(738)	(0.85%)
Change in estimates relating to prior period	213	0.19%	–	–
Total tax charge before deferred tax rate change and exceptional items	23,550	21.24%	18,289	21.21%
Other expenses not deductible – exceptional items	20	0.02%	3,809	4.42%
Negative goodwill arising on acquisition	–	–	(23,872)	(27.68%)
Rate change on deferred tax provision	(3,072)	(2.77%)	(5,941)	(6.89%)
Total taxation expense/(credit)	20,498	18.49%	(7,715)	(8.94%)

The prior period tax credit has been restated from £6,869,000 to £7,715,000. The misstatement in the 2015 Annual Report & Accounts relates to the non-recognition of a deferred tax liability in respect of mineral land held by the Group due to an incorrect determination of the related tax base. The restatement results in the recognition of an additional deferred tax liability of £8,453,000 at the date of acquisition (26 February 2015) in the prior period and a reduction to the negative goodwill of the same amount. In the prior period, the tax credit is increased by £846,000 and the deferred tax liability has been restated to £63,497,000 as shown in Note 22.

The tax expense for the period includes a deferred tax credit of £185,000 relating to the recognition of US state tax losses arising as a result of the US business entering into a voluntary disclosure agreement declaring, retrospectively, a taxable presence in New York State and New York City since 2013.

The tax credit for the prior 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 20% to 19% was substantively enacted on 26 October 2015 and will apply from 1 April 2017. The further rate reduction to 17% from 1 April 2020 was substantively enacted in Finance Act 2016 on 6 September 2016. The impact of these tax rate changes are reflected in these financial statements accordingly.

Notes to the Group consolidated financial statements continued

11. Earnings per share

The basic earnings per share figures are calculated by dividing profit for the period attributable to the parent shareholders by the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. Where the average share price for the period is lower than the option price the options become anti-dilutive and are excluded from the calculation.

The number of shares used for the earnings per share calculation are as follows:

	Year ended 31 December 2016 '000s	Period ended 31 December 2015 '000s
Basic weighted average number of shares	406,025	288,236
Effect of share incentive awards and options	2,671	60
Diluted weighted average number of shares	408,696	288,296

The calculation of adjusted earnings per share is a key measurement of management that is not defined by IFRS. The adjusted EPS measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. All adjustments are made net of the associated taxation impact at the Group's Effective Tax Rate. Management has revised its method of calculation of Adjusted EPS in the current year to incorporate non-cash interest and the related taxation charge/credit. Additionally, the current year calculation reflects the Group's effective tax rate in assessing the impact of adjusting items, which differs from the prior year. The prior year Adjusted EPS calculation has not been restated on the grounds of materiality.

A reconciliation of the statutory profit to that used in the adjusted earnings per share calculations is as follows:

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 (restated) £'000
Profit for the period attributable to the parent shareholders	90,363	93,967
Add back exceptional items	5	(28,745)
Add back tax expense/(credit) on exceptional items	5,303	(13,595)
Add fair value adjustments	9,454	7,546
Less tax credit on fair value adjustments	(1,744)	(6,007)
Less net non-cash interest	(1,447)	–
Add back tax credit on non-cash interest	268	–
Adjusted profit for the period attributable to the parent shareholders	73,452	47,613

	Year ended 31 December 2016 pence	Period ended 31 December 2015 (restated) pence
Basic EPS on profit for the period	22.3	32.6
Diluted EPS on profit for the period	22.1	32.6
Adjusted basic EPS on profit for the period	18.1	16.5
Adjusted diluted EPS on profit for the period	18.0	16.5

12. Intangible assets

	31 December 2016			
	Notes	Customer contracts and relationships £'000	Brands £'000	Total £'000
<i>Cost</i>				
At 28 November 2014		–	–	–
Arising on business combination	26	87,600	45,400	133,000
Exchange movements		–	242	242
At 31 December 2015		87,600	45,642	133,242
Addition		121	–	121
Exchange movements		–	1,917	1,917
At 31 December 2016		87,721	47,559	135,280
<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)
Charge for the period		(5,440)	(1,115)	(6,555)
Exchange movements		–	–	–
At 31 December 2016		(9,945)	(2,049)	(11,994)
<i>Net book amount</i>				
At 31 December 2015		83,095	44,708	127,803
At 31 December 2016		77,776	45,510	123,286

Amortisation is included in administrative expenses in the income statement.

The remaining amortisation period of customers' relationships is nine to 19 years. The remaining amortisation period of brands is outlined below:

Brands	At 31 December 2016 £'000	Remaining amortisation period Years
Ibstock Brick	30,824	48.2
Forticrete	652	8.2
Supreme	2,632	13.2
Glen-Gery	11,402	48.2
	45,510	

Notes to the Group consolidated financial statements continued

13. Property, plant and equipment

	Notes	31 December 2016				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	26	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
Additions		1,592	238	12,274	43,583	57,687
Transfer to asset held for sale		(1,150)	–	(53)	–	(1,203)
Disposals		(1,080)	–	(1,628)	–	(2,708)
Exchange movements		4,488	680	4,728	241	10,137
At 31 December 2016		180,586	73,581	116,856	49,185	420,208
<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)
Total charge for the year		(6,900)	(3,304)	(9,152)	–	(19,356)
Disposals		32	–	1,560	–	1,592
Exchange movements		(104)	(21)	(606)	–	(731)
At 31 December 2016		(11,019)	(5,598)	(11,288)	–	(27,905)
<i>Net book amount</i>						
At 31 December 2015		172,689	70,390	98,445	5,361	346,885
At 31 December 2016		169,567	67,983	105,568	49,185	392,303

A profit on disposal of property, plant and equipment of £625,000 has been recognised in the year ended 31 December 2016 (period ended 31 December 2015: loss on disposal of £1,403,000).

There are no assets which are used as security.

Management reviews the business performance based on segments reported in Note 4. In the current year, detailed impairment tests have not been conducted as management believes that there is no indication of impairment of an asset.

14. Inventories

	31 December 2016 £'000	31 December 2015 £'000
Raw materials	21,574	18,445
Work in progress	2,785	2,639
Finished goods	64,398	61,973
	88,757	83,057

The replacement cost of inventories is not considered to be materially different from the above values.

At 31 December 2016, a provision of £2,511,000 (31 December 2015: £2,670,000) is held against the inventory balance.

15. Trade and other receivables

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	48,094	46,085
Provision for impairment of receivables	(613)	(654)
Net trade receivables	47,481	45,431
Prepayments and accrued income	3,538	3,266
Other receivables	1,129	926
Reimbursement asset	–	9,000
Total trade and other receivables	52,148	58,623

The reimbursement asset in the prior period represented an indemnity receivable from the former parent undertaking which was directly contributed to the pension scheme in January 2016. 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 21). The assessment of the valuation of this indemnity was 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.

16. Cash and cash equivalents

	31 December 2016 £'000	31 December 2015 £'000
Cash at bank and in hand	45,829	51,024

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	31 December 2016 £'000	31 December 2015 £'000
Cash at bank and in hand	45,829	51,024
Cash and cash equivalents	45,829	51,024

17. Assets held for sale

	31 December 2016 £'000	31 December 2015 £'000
Assets classified as held for sale as of the beginning of the period	–	–
Additions	1,203	–
Disposals	–	–
Assets classified as held for sale as of the end of the period	1,203	–

As of 31 December 2016, the Asset held for sale related to the Group's property in Stourbridge, which the Group recognises as surplus to its ongoing requirements and for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset is within the UK Segment.

The fair value of the asset less costs to sell are assessed as above the asset's carrying value and there are no liabilities directly associated with the asset categorised as held for sale.

Notes to the Group consolidated financial statements continued

18. Trade and other payables

	Notes	31 December 2016 £'000	31 December 2015 £'000
Trade payables		42,048	35,899
Contingent consideration on acquisition	26	4,000	4,000
Other tax and social security payable		4,982	4,976
Accruals and other payables		29,190	34,361
		80,220	79,236

There are no material differences between the fair values and book values stated above. Of the amount included in accruals and other payables above is deferred income due to unwind in more than one year of £nil (31 December 2015: £214,000).

19. Borrowings

	31 December 2016 £'000	31 December 2015 £'000
Current		
Bank borrowings (i)	13,044	14,097
Non-current		
Revolving credit facility (ii)	–	–
Bank borrowings (i)	165,556	181,658
	165,556	181,658
Total borrowings	178,600	195,755

A £240 million facilities agreement covering the following financial instruments were entered into as part strategic planning for the Initial Public Offering in October 2015:

(i) New bank borrowings

A five-year £200 million facility was entered into in September 2015 and first drawn in October with mandatory repayments of £15 million 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 £40 million 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. In the current year, the RCF was drawn on five occasions for amounts ranging from £2,975,000 to £7,075,000. At 31 December 2016 and 31 December 2015 the full facility was undrawn.

The carrying value of financial liabilities have been assessed as materially in line with their fair values.

No security is currently provided over the Group's borrowings.

20. Provisions

	31 December 2016 £'000	31 December 2015 £'000
Restoration (i)	5,160	4,905
Dilapidations (ii)	8,414	8,005
Restructuring (iii)	142	183
Other (iv)	916	1,380
	14,632	14,473
Current	462	1,291
Non-current	14,170	13,182
	14,632	14,473

	Restoration (i) £'000	Dilapidations (ii) £'000	Restructuring (iii) £'000	Other (iv) £'000	Total £'000
At 1 January 2016	4,905	8,005	183	1,380	14,473
Utilised	(100)	–	(16)	(109)	(225)
Credited to income statement	(396)	(960)	(25)	(355)	(1,736)
Unwind of discount/change in rate	636	1,339	–	–	1,975
Translation adjustment	115	30	–	–	145
At 31 December 2016	5,160	8,414	142	916	14,632

- (i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated available reserves and the expected extraction rates. Whilst a significant element of the total provision will reverse in the medium term (two to ten years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life.
- (ii) Provisions for dilapidations, which arose as contingent liabilities upon the business combination in the prior year, are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflows, which are estimated to occur over the lease term.
- (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 repair or replace items that fail to perform satisfactorily for one year from the date of delivery to the customer. It is expected that 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. Overall these provisions are not deemed material.

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 £1.1 million which have been included in Other. For further details see Note 26.

The significant credits to the income statement arising in the year are as a result of the movement in Government bond rates used to discount the liabilities at the balance sheet date.

Notes to the Group consolidated financial statements continued

20. Provisions continued

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 2016 the value of the bonds amounted to £1,538,000 (31 December 2015: £1,230,000). The maximum term on the bonds outstanding at that date is September 2017. The bonds are typically renewed on an annual basis at comparable levels.

21. Post-employment benefit obligations

(a) Defined benefit plan

Analysis of movements in the net obligation during the period:

	31 December 2016 £'000	31 December 2015 £'000
Funded plan at 31 December		
Opening balance	331	–
Arising on acquisition	–	(4,704)
Charge within labour costs and operating profit	(9,362)	(9,730)
Curtailment gain	30,317	–
Interest (income)/expense	764	(31)
Remeasurement (loss)/gain recognised in the statement of comprehensive income	(66,896)	11,709
Pension scheme surplus restriction recognised in the statement of comprehensive income	(5,877)	(8,037)
Contributions	22,038	11,124
Carried forward at 31 December	(28,685)	331

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. Following consultation with members, accounting for the Scheme's closure to future accrual occurred in the year ended 31 December 2016. As a result, benefits were reassessed as active members were transferred to deferred membership.

The Scheme is administered by trustees who employ independent fund managers for the investment of the pension scheme assets. These assets are kept entirely separate from those of the Group.

Total annual contributions to the Scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities (including projected increased 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 2016 has been based on the results of the 30 November 2014 valuation, updated for changes in demographic assumptions, as appropriate.

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.

The Company and Trustees intend to de-risk the Scheme's investment strategy by moving towards a position that is predominantly liability matching in nature. This involves an Asset Liability Management ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the Scheme. Within this framework the ALM objective is to match assets to the pension obligations by investing in risk-reducing assets (such as long-term fixed interest and index-linked securities). The Company actively monitors the investment strategy to ensure that the expected cash flows arising from the pension obligations are sufficiently met.

Balance sheet assets/(obligations):

	31 December 2016 £'000	31 December 2015 £'000
Equities	275,151	236,100
Bonds	159,933	270,767
Properties	24,221	24,285
Liability driven investment	220,535	23,787
Cash	3,731	3,947
Total market value of assets	683,571	558,886
Present value of scheme liabilities	(698,033)	(550,518)
Net scheme (liability)/asset	(14,462)	8,368
Pension scheme surplus restriction	(14,223)	(8,037)
Post-employment benefit (liability)/asset after surplus restriction	(28,685)	331
Other pension commitments	(9,389)	(8,007)
Post-employment benefit obligation	(38,074)	(8,007)

All equities and bonds have a quoted market price in an active market. Properties and cash and cash equivalents are unquoted. Liability driven investment ('LDI') are funds constructed to reduce the risk within the Scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. The Scheme's LDI fund is managed by BMO and is predominantly unquoted.

The amounts recognised in the income statement are:

	31 December 2016 £'000	31 December 2015 £'000
Current service cost	8,654	9,389
Administrative expenses	708	341
Multi-employer scheme	243	165
Curtailment gain on closure of scheme	(30,317)	-
Defined contribution scheme costs	1,536	1,209
(Income)/charge within labour costs and operating profit	(19,176)	11,104
Interest (income)/expense	(764)	31
Total (income)/charge to the income statement	(19,940)	11,135

Notes to the Group consolidated financial statements continued

21. Post-employment benefit obligations continued

Remeasurements recognised in the statement of comprehensive income:

	31 December 2016 £'000	31 December 2015 £'000
Remeasurement gain/(loss) on defined benefit scheme assets	101,960	(24,569)
Remeasurement (loss)/gain from changes in financial assumptions	(153,201)	22,020
Remeasurement (loss)/gain from changes in demographic assumptions	(15,845)	14,648
Experience adjustments	190	(390)
Other comprehensive income	(66,896)	11,709

The remeasurement losses from changes in financial assumptions incurred in 2016 are mainly the result of the fall in corporate bond yields. This has been partially offset by positive returns during the year resulting in the gain on scheme assets.

Changes in the present value of the defined benefit obligations are analysed as follows:

	31 December 2016 £'000	31 December 2015 £'000
Present value of defined benefit obligation at beginning of period	(550,518)	–
Arising on business combination	–	(575,041)
Current service cost	(8,654)	(9,389)
Interest cost	(20,467)	(16,015)
Curtailement gain on closure of scheme	30,317	–
Contributions by scheme participants	(69)	(64)
Experience losses/(gains)	190	(390)
Benefits paid	19,996	13,530
Remeasurement (loss)/gain arising from change in financial assumptions	(153,201)	22,020
Remeasurement (loss)/gains arising from change in demographic assumptions	(15,845)	14,648
Insurance premium for risk benefits	218	183
Present value of defined benefit obligations carried forward at 31 December	(698,033)	(550,518)

Analysis of movements in the asset ceiling restriction within the consolidated statement of comprehensive income:

	31 December 2016 £'000	31 December 2015 £'000
Asset ceiling restriction at beginning of period	(8,037)	–
Interest cost on the adjustment	(309)	–
Change in adjustment excluding interest	(5,877)	(8,037)
Asset ceiling restriction at end of period	(14,223)	(8,037)

The closure of the Scheme to future accrual has resulted in a curtailment gain of £30,317,000 resulting from revisions to the measurement of future obligations.

Changes in the fair value of plan assets are analysed as follows:

	31 December 2016 £'000	31 December 2015 £'000
Fair value of pension scheme assets at beginning of period	558,886	–
Arising on business combination	–	570,337
Interest income	21,540	15,984
Remeasurement gain/(loss) on pension scheme assets	101,960	(24,569)
Employer contributions	22,038	11,124
Contributions by scheme participants	69	64
Benefits paid	(19,996)	(13,530)
Administrative expenses	(708)	(341)
Insurance premium for risk benefits	(218)	(183)
Fair value of pension scheme assets carried forward	683,571	558,886

Plan assets are comprised as follows:

	31 December 2016			Percentage
	Quoted £'000	Unquoted £'000	Total £'000	
Equity Instruments	275,151	–	275,151	
– UK equities	73,449	–	73,449	11%
– Overseas equities	150,570	–	150,570	22%
– Emerging market equities	51,132	–	51,132	7%
Debt Instruments	159,933	–	159,933	
– UK corporate bonds	159,933	–	159,933	23%
– Index linked gilts	–	–	–	0%
Property				
– Property	24,221	–	24,221	4%
Liability driven investment	–	220,535	220,535	32%
Cash and net current assets	–	3,731	3,731	1%
Total	459,305	224,266	683,571	100%

Notes to the Group consolidated financial statements continued

21. Post-employment benefit obligations continued

	31 December 2015			Percentage
	Quoted £'000	Unquoted £'000	Total £'000	
Equity Instruments	236,100	–	236,100	
– UK equities	65,348	–	65,348	12%
– Overseas equities	129,521	–	129,521	23%
– Emerging market equities	41,231	–	41,231	7%
Debt Instruments	270,767	–	270,767	
– UK corporate bonds	148,056	–	148,056	26%
– Index linked gilts	122,711	–	122,711	22%
Property				
– Property	24,285	–	24,285	4%
Liability driven investment	–	23,787	23,787	4%
Cash and net current assets	–	3,947	3,947	1%
Total	531,152	27,734	558,886	100%

The Group contributed 16.0% of pensionable salaries to the Scheme during the period reported. Based on the most recent valuation, a payment schedule was agreed with the Trustees of the Ibstock Pension Scheme so that the Scheme's deficit can be eliminated. This included the Group contributing 16% of pensionable salaries to the Scheme in the year ended 31 December 2016 (no longer required following the closure of the Scheme to future accrual), as well as a further £7.0 million per annum until May 2021. The weighted average duration of the defined benefit obligation is 20 years (2015: 19 years). In the year ended 31 December 2016, other costs related to the closure of the scheme to future accrual of £1,639,000 were incurred and classified as exceptional (see Note 5).

At the 31 December 2015 balance sheet date, a reimbursement asset is recorded which was directly contributed to the Scheme. Refer to Note 15 'Trade and other receivables'.

The principal assumptions used by the actuary in his calculations were:

	31 December 2016 Per annum	31 December 2015 Per annum
Discount rate	2.80%	3.85%
RPI inflation	3.35%	3.10%
CPI inflation	2.35%	2.10%
Rate of increase in salary	n/a	3.10%
Rate of increase in pensions in payment	3.75%	3.60%
Commutation factor	15.52	12.00
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	22.70 years	22.90 years
For a female currently aged 65	25.30 years	25.50 years
For a male currently aged 40	25.10 years	25.30 years
For a female currently aged 40	27.80 years	28.00 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 20 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2016 would decrease/increase by approximately 5%.

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	31 December 2016 £'000	31 December 2015 £'000
0.25% increase in discount rate	35,707	24,327
0.25% decrease in discount rate	(36,442)	(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	(24,135)	(19,588)
0.25% decrease in pension growth rate	22,851	16,467
0.25% increase in inflation rate	23,914	19,588
0.25% decrease in inflation rate	(28,353)	(16,467)
One year increase in life expectancy	(30,984)	(20,130)
One year decrease in life expectancy	30,744	20,159

A special contribution of £60 million was paid in the pre-acquisition period of the period ended 31 December 2015. Refer to Note 26 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 year to December 2016 is £243,000. 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 £18,346,000 (2015: £13,981,000) and £1,836,000 (2015: £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 2017 is £450,000. In respect of the AB&GW scheme, based on the total contributions made in 2016 to the multi-employer schemes, the level of participation the Group made compared to other participating entities was 83% and the Group has 70% 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%.

In total, the AB&GW plan has a deficit as at 31 December 2016 of £21,284,000 (2015: £19,287,000). 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 £9,389,000 (2015: £8,007,000) for future committed contribution amounts as at 31 December 2016, with an associated recognised deferred tax asset of £3,727,000 (2015: £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 (2.79%) 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 year was £1,536,000 (period ended 31 December 2015: £1,209,000).

Notes to the Group consolidated financial statements continued

22. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2016 £'000	31 December 2015 (restated) £'000
Deferred tax liability at beginning of period	(62,269)	–
Arising on business combinations	–	(71,226)
Differences on exchange	(1,824)	(138)
Tax credited/(charged) to the Group income statement	(2,806)	9,884
Tax recognised within other comprehensive income	11,406	(734)
Tax credited/(charged) directly to equity	48	(55)
Net deferred tax liability at period-end	(55,445)	(62,269)
Presented in the Consolidated balance sheet after offset as:		
Deferred tax assets	1,560	1,228
Deferred tax liabilities	(57,005)	(63,497)
	(55,445)	(62,269)
Deferred tax asset	22,302	18,830
Deferred tax liability	(77,747)	(81,099)
Net deferred tax liability at period-end	(55,445)	(62,269)
Deferred tax asset expected to unwind within one year	3,848	3,686
Deferred tax asset expected to unwind after one year	18,454	15,144
	22,302	18,830
Deferred tax liability expected to unwind within one year	(2,677)	(4,153)
Deferred tax liability expected to unwind after one year	(75,070)	(76,946)
	(77,747)	(81,099)

The movement in net deferred income tax liabilities analysed by each type of temporary difference is as follows:

Deferred tax liabilities	Year ended 31 December 2016					As at 31 December 2016		
	Net balance at 1 January 2016 (restated) £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed asset	(25,207)	(593)	1,875	–	–	(23,925)	–	(23,925)
Tangible fixed assets	(51,121)	(2,250)	3,007	–	–	(50,364)	116	(50,480)
Land revaluation	(1,088)	(222)	(50)	–	–	(1,360)	–	(1,360)
Rolled over and held over capital gains	(1,526)	–	(310)	–	–	(1,836)	–	(1,836)
Employee pension liabilities, net of reimbursement asset	1,186	616	(4,132)	11,406	–	9,076	9,076	–
Pension contribution spreading	9,242	–	(3,173)	–	–	6,069	6,069	–
Provisions and other temporary differences	5,050	368	(788)	–	–	4,630	4,630	–
Share incentive plans	212	–	59	–	48	319	319	–
Tax losses	1,123	283	645	–	–	2,051	2,051	–
Other temporary differences	(140)	(26)	61	–	–	(105)	41	(146)
Deferred tax assets/(liabilities) before offsetting	(62,269)	(1,824)	(2,806)	11,406	48	(55,445)	22,302	(77,747)
Offset of balances within the same tax jurisdiction							(20,742)	20,742
Net deferred tax assets/(liabilities)							1,560	(57,005)

Deferred tax liabilities	Period ended 31 December 2015					As at 31 December 2015		
	Arising on business combination (restated) £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed asset	(28,340)	–	3,133	–	–	(25,207)	–	(25,207)
Tangible fixed assets	(56,723)	(288)	5,890	–	–	(51,121)	151	(51,272)
Land revaluation	(1,104)	(43)	59	–	–	(1,088)	–	(1,088)
Rolled over and held over capital gains	(1,786)	–	260	–	–	(1,526)	–	(1,526)
Employee pension liabilities, net of reimbursement asset	1,585	82	3,423	(734)	–	1,186	3,052	(1,866)
Pension contribution spreading	12,061	–	(2,819)	–	–	9,242	9,242	–
Provisions and other timing differences	5,023	73	(46)	–	–	5,050	5,050	–
Share incentive plans	379	–	(112)	–	(55)	212	212	–
Tax losses	1,063	38	22	–	–	1,123	1,123	–
Other temporary differences	(214)	–	74	–	–	(140)	–	(140)
Deferred tax assets/(liabilities) before offsetting	(71,226)	(138)	9,884	(734)	(55)	(62,269)	18,830	(81,099)
Offset of balances within the same tax jurisdiction							(17,602)	17,602
Net deferred tax assets/(liabilities)							1,228	(63,497)

The net deferred tax liability at the prior period end has been restated from £54,662,000 to £62,269,000 due to a misstatement in the 2015 Annual Report & Accounts relating to the non-recognition of a deferred tax liability in respect of mineral land held by the Group due to an incorrect determination of the related tax base. The restatement results in the recognition of an additional deferred tax liability of £8,453,000 at the date of acquisition (26 February 2015) in the prior period and a reduction to the negative goodwill of the same amount. In the prior period, the deferred tax credit is also increased by £846,000 from £9,038,000 to £9,884,000 as disclosed in Note 10.

There are no unrecognised deferred tax assets or liabilities as at 31 December 2016. In the prior period, a deferred tax asset of £227,000 in respect of state net operating losses was not recognised.

Notes to the Group consolidated financial statements continued

23. Financial instruments – risk management

Financial assets

	Notes	Loans and receivables	
		31 December 2016 £'000	31 December 2015 £'000
Trade and other receivables	15	48,986	55,799
Cash and cash equivalents	16	45,829	51,024
Total		94,815	106,823

Financial liabilities

	Notes	Loans and payables	
		31 December 2016 £'000	31 December 2015 £'000
Trade and other payables	18	75,238	74,260
Borrowings	19	178,600	195,755
Total		253,838	270,015

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.

The ageing analysis of the trade receivables (from date of past due) but not considered to be impaired is as follows:

	31 December 2016 £'000	31 December 2015 £'000
Not past due	36,395	33,949
Less than one month past due	9,657	9,324
One to six months past due	1,376	1,997
Six to 12 months past due	53	149
More than 12 months past due	–	12
	47,481	45,431

Other receivables are due to be received within the next 12 months. The reimbursement asset was received in January 2016.

The ageing analysis of the trade receivables (from date of past due) determined to be impaired is as follows:

	31 December 2016 £'000	31 December 2015 £'000
Less than one month past due	21	6
One to six months past due	337	414
Six to 12 months past due	189	108
More than 12 months past due	66	126
	613	654

Movements on the provision for impairment of trade receivables are as follows:

	Notes	31 December 2016 £'000	31 December 2015 £'000
Opening balance		(654)	–
Arising on business combination	26	–	(495)
Charged to the income statement		7	(254)
Utilised		2	104
Released		74	–
Exchange movements		(42)	(9)
Closing impairment provision		(613)	(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-acquisition period the Group's interest rate risk arises principally from the revolving credit facility and bank borrowings which attract floating rate interest, see Note 19. The Group manages its interest rate risk by using a floating rate debt with varying repayment terms. The Group 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 2016	Notes	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
Financial assets					
Cash and cash equivalents	16	32,926	12,799	104	45,829
Trade and other receivables	15	36,330	12,105	551	48,986
		69,256	24,904	655	94,815
Financial liabilities					
Borrowings	19	(178,600)	–	–	(178,600)
Trade and other payables	18	(62,382)	(9,918)	(2,938)	(75,238)
		(240,982)	(9,918)	(2,938)	(253,838)

Notes to the Group consolidated financial statements continued

23. Financial instruments – risk management continued

At 31 December 2015	Notes	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
Financial assets					
Cash and cash equivalents	16	42,264	8,420	340	51,024
Trade and other receivables	15	44,926	10,360	512	55,798
		87,190	18,780	852	106,822
Financial liabilities					
Borrowings	19	(195,755)	–	–	(195,755)
Trade and other payables	18	(63,755)	(9,657)	(848)	(74,260)
		(259,510)	(9,657)	(848)	(270,015)

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 2016	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	–	13,044	165,556	–	178,600
Total	–	13,044	165,556	–	178,600

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

At 31 December 2016, the Group had an RCF facility of £40 million over five years that was entered into in September 2015. During the year ending 31 December 2016, the RCF was drawn on five occasions for values ranging from £2,975,000 to £7,075,000, resulting in an interest charge of £16,000 in the year. 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 19.

The contractual non-discounted minimum future cash flows in respect of these borrowings are:

At 31 December 2016	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
<i>Borrowings:</i>				
Bank borrowings	18,987	180,028	–	199,015
Total	18,987	180,028	–	199,015

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 26.

The following table presents the changes in Level 3 instruments for the period ended 31 December 2016.

	Contingent consideration £'000
At 1 January 2016	4,000
Gains and losses recognised in profit and loss	–
At 31 December 2016	4,000

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. These covenants are monitored on a regular basis by the Board. 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. New debt facilities were entered into in March 2017, as disclosed in Note 34.

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 24.

Dividend policy

The Group intends 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.

Our dividend policy is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle. This adjusted profit measure is set out in Note 11 to the financial statements. Following announcement of our dividend policy at the time of the Group's IPO in October 2015, the Directors' remain confident that the policy remains appropriate. At 31 December 2016, the parent maintains significant distributable reserves.

Notes to the Group consolidated financial statements continued

24. 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	–
Total share capital on incorporation on 3 September 2015	50,000	50	–
Consolidation of shares followed by designation into A ordinary shares (50,000 ordinary shares of £1 each into 6,250 ordinary shares of £8 each)	6,250	50	–
Capital reorganisation involving:			
<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	–
Total share capital following the share for share exchange	60,340,386	482,718	–
<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	–	–
Total share capital following the sub-division of shares	48,271,791,048	482,718	–
<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	–
Total share capital immediately prior to IPO	48,271,791,048	482,718	–
Ordinary shares of £0.01 each issued in the primary offering	52,631,578	526	94,521
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	–
Total share capital on IPO	48,324,422,626	483,244	94,521
Capital reduction	(47,918,922,626)	(479,189)	(94,521)
At 31 December 2015	405,500,000	4,055	–
Issue of Ordinary shares of £0.01 each	817,131	8	–
At 31 December 2016	406,317,131	4,063	–
Comprised of:			
Issued, called up and fully paid:			
Ordinary shares of £0.01 each	406,317,131	4,063	–

In the current year, share capital has increased by £817,131 as a result of the issue of ordinary share capital of £0.01 each to satisfy share options granted or exercised in the year.

In the prior period, the Group's capital structure was reorganised 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 £5.0 million were offset against the share premium of £99.5 million 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 £94.5 million) was cancelled.

Following the capital reduction in the prior period, the issued share capital of the Company consists of 405,500,000 ordinary shares of £0.01 each.

25. 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 contingent consideration in cash based on events outside the Group's control. There have been no changes in the Group's contingent consideration in the year.

Merger reserve

The merger reserve of £369.1 million arose on the acquisition of Figgs Topco Limited by Ibstock plc in the prior period 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.

26. 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 for consideration totalling £377,962,000. The entities acquired specialise in the manufacture of clay and concrete building products in the UK and in the North East and Mid West regions of the US. As disclosed in Note 1, a prior year adjustment has been made to amend the acquisition balance sheet to incorporate a deferred taxation liability of £8,453,000. This has resulted in a restated negative goodwill arising on acquisition of £115,738,000. All other book and fair values of the net assets acquired and liabilities assumed, are now final and are unchanged.

Notes to the Group consolidated financial statements continued

26. Business combinations continued

Assets acquired and liabilities assumed:

The final 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
Assets	
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
Total assets	660,338
Liabilities	
Trade and other payables	(67,932)
Derivative financial instruments	(508)
Current tax liabilities	(408)
Post-employment benefit obligations	(12,242)
Deferred tax liabilities	(71,226)
Provisions	(14,322)
Total liabilities	(166,638)
Total identifiable net assets at fair value	493,700
Negative goodwill arising on acquisition immediately recognised within the income statement	(115,738)
Purchase consideration transferred	377,962

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 22.

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 Group 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.

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.

Purchase consideration	£'000
Initial cash consideration	312,853
Pension contribution	60,000
Contingent land proceeds	1,109
Contingent pension tax benefit	4,000
Total consideration	377,962

As part of the acquisition, the Group agreed to make a one-off contribution of £60.0 million 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 £60.0 million 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 included within administrative expenses in the prior period.

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.

As disclosed in the 2015 Annual Report & Accounts, we have provided information to provide the users of the accounts with a comparable view of performance for 2014 and 2015. 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.

Notes to the Group consolidated financial statements continued

26. Business combinations continued

	2015 (restated) £'000	2014 £'000
Revenue	412,828	373,233
Cost of sales before exceptional items	(255,035)	(255,333)
Gross profit before exceptional items	157,793	117,900
Exceptional cost of sales	(15,977)	–
Gross profit	141,816	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)
Net administrative expenses	(69,170)	(43,277)
Negative goodwill on acquisition	115,738	–
Profit/(loss) on disposal of property, plant and equipment	(1,399)	492
Other income	3,474	3,709
Other expenses	(816)	(1,051)
Operating profit	155,535	43,172
Adjusted EBITDA	107,014	64,993
Less/add exceptional items	75,432	(5,355)
Less/add profit/(loss) on disposal of property, plant and equipment	(1,399)	492
Less depreciation and amortisation	(25,512)	(16,958)
Operating profit	155,535	43,172

27. Share incentive plans

The Group operates a number of share based payment awards relating to the period subsequent to the Group's IPO and in the prior period also recognised share based payment charges in relation to arrangements issued upon the acquisition of the trading entities in February 2015. During the year, 263,981 options (2015: nil) over Ordinary shares of 1 pence each were exercised at nil cost and no share options lapsed. The weighted average share price at the date of exercise was £1.76.

Share based payment charges:

	Notes	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Old scheme arrangements	27(a)	–	–
Management equity issued on acquisition	27(b)	–	434
Long-Term Incentive Plan	27(c)(i)	264	723
Share Option Plan	27(c)(ii)	159	9
Save As You Earn	27(c)(iii)	725	33
Annual & Deferred Bonus Plan	27(c)(iv)	–	–
Share Incentive Plan	27(c)(v)	378	–
		1,526	1,199

(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 their 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 24 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%-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.

	2016 Number of awards	2015 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.

(c) New employee arrangements issued on IPO

Following the IPO of the Group on 27 October 2015, the Group entered into new share incentive plans; the Ibstock plc Long-Term Incentive Plan (the 'LTIP'), the Ibstock plc Annual and Deferred Bonus Plan (the 'ADBP') 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, ADBP and SOP are, together, the 'Discretionary Plans', and the Discretionary Plans, the SIP and the SAYE, together, the 'New Plans'. Under these arrangements, no awards have been forfeited in the year.

Notes to the Group consolidated financial statements continued

27. Share incentive plans continued

(i) LTIP

The Group granted LTIPs during the period for key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. In the current year, 755,311 share options were granted and a charge of £264,000 was recognised. In the prior period, as part of the IPO process, 337,665 options over shares were issued and immediately vested. The LTIP awards contain performance conditions dependent upon the Group's earnings per share ('EPS') and total shareholder return ('TSR'). The full charge of £723,000 was treated as an exceptional cost in the prior period. Please refer to the information given in the Directors' Remuneration Report on pages 58 to 73 for details in relation to the vesting conditions in relation to the LTIP.

(ii) SOP

Options of 360,423 (2015: 848,312) shares were granted under the Share Option Plan during the year 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 of 195.4 pence (2015: 212.0 pence), giving a weighted average exercise price of 207.1 pence. The SOP has an employment condition of three years and no other performance conditions.

(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 prior period equalled 3,760,262. There has been no equivalent SAYE scheme in the current year.

The assumptions used to calculate the fair value of the LTIP, SOP and SAYE awards during the period are detailed below:

	LTIP	LTIP	SOP	SOP	SAYE
	18 April 2016	4 December 2015	18 April 2016	4 December 2015	10 December 2015
Grant date	18 April 2016	4 December 2015	18 April 2016	4 December 2015	10 December 2015
Share price at grant date	1.954	2.14	1.954	2.14	2.11
Exercise price	nil	nil	1.954	2.12	1.52
Number of shares issued	755,311	337,665	360,423	848,312	3,760,262
Vesting period	3 years	3 years	3 years	3 years	3 years
Pricing Model	Binomial	Binomial	Binomial	Binomial	Binomial
% expected to vest	100%	100%	95%	95%	95%
Expected share price volatility	28.10%	n/a	31.80%	27.38%	27.38%
Expected dividend yield	n/a	n/a	3.98%	3.26%	3.26%
Expected option life	3 years	3 years	6.5 years	6.5 years	3.3 years
Fair value per share	1.57	2.14	0.42	0.43	0.59
Risk free rate	0.44%	0.89%	1.03%	0.89%	0.89%
Awards granted	755,311	337,665	360,423	848,312	3,760,262
Awards exercised in the year	–	(263,981)	–	–	–
Awards outstanding at 31 December 2016	755,311	73,684	360,423	848,312	3,760,262

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.

(iv) ADBP

The ADBP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over Ordinary Shares. The ADBP will operate in respect of the annual bonus earned for the financial period. The Committee can determine that part of the bonus earned under the ADBP is provided as an award of deferred shares, which take the form of a £nil cost option. The maximum value of deferred shares is 50% of the bonus earned. The first deferred awards over Ordinary Shares under the ADBP will be made in relation to the 2016 year-end with options to be issued in April 2017. The main terms of these awards are a minimum deferral period of three years, during which no performance conditions will apply; and the participants employment at the end of the deferral period. At 31 December 2016, an amount of £89,000 (2015: nil) had been recognised in accruals in relation to this award.

(v) SIP

On 18 December 2015, the Company announced a Share Incentive Plan ('SIP') following the Group's IPO. Subject to qualifying employment conditions, all employees were entitled to apply for free shares up to a value of £800 depending on their period of service. The number of shares issued during 2016 under the SIP was 553,150. The free shares, which have a three-year employment condition and no further vesting conditions, had a price of £2.15 at the date of the announcement.

28. Operating leases and commitments**The Group as lessee**

Commitments under non-cancellable operating leases due are as follows:

	31 December 2016		
	Land and buildings £'000	Other £'000	Total £'000
Within one year	3,026	4,036	7,062
Between two and five years	10,291	7,137	17,428
After five years	19,883	160	20,043
	33,200	11,333	44,533

	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
	31,639	9,923	41,562

The Group is lessee on a number of properties in addition to plant and machinery which it uses in its operations. The operating leases run for a variety of terms and their non-cancellable commitments are set out above. There is no material contingent rent payable, renewal or purchase options, escalation clauses or restrictions imposed by the lease agreements.

The Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2016 £'000	31 December 2015 £'000
Within one year	464	561
Between two and five years	624	818
After five years	1,195	1,391
	2,283	2,770

The Group acts as lessor on a number of properties where it leases surplus land not currently utilised by the business. The operating leases run for a variety of terms and their future minimum lease payments receivable are set out above.

Capital commitments

Capital expenditure contracted for not yet incurred at the balance sheet date, predominantly relating to assets in the course of construction, is as follows:

	31 December 2016 £'000	31 December 2015 £'000
Amount contracted for, which has not been provided	26,799	64,553

Notes to the Group consolidated financial statements continued

29. Notes to the Group cash flow statement

	Notes	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Cash flows from operating activities			
Profit before taxation		110,861	86,252
Adjustments for:			
Depreciation of property, plant and equipment	13	19,356	15,885
Amortisation of intangible assets	12	6,555	5,439
Negative goodwill on acquisition	5	–	(115,738)
Unwind of inventory fair value	5	–	15,977
Finance costs	8	3,085	68,943
(Gain)/loss on disposal of property, plant and equipment	5	(625)	1,403
Other		(1,054)	118
Share-based payments	27	1,526	1,199
Deferred income		(215)	(179)
Curtailment gain	21	(30,317)	–
Post-employment benefits		(3,676)	(1,556)
		105,496	77,743
Increase in inventory		(320)	(8,989)
(Increase)/decrease in debtors		(309)	19,543
(Decrease)/increase in creditors		(101)	3,123
Increase in provisions		39	147
Cash generated from operations		104,805	91,567

30. Group subsidiaries

Ibstock plc had the following subsidiaries as at 1 January 2016 and 31 December 2016:

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 ^{A1}	Holding Company	UK	100%	100%
Figgs Midco Limited ¹	Holding Company	UK	100%	100%
Figgs Newco Limited ¹	Holding Company	UK	100%	100%
Ibstock Building Products Limited ¹	Holding Company	UK	100%	100%
Figgs Bidco Limited ¹	Holding Company	UK	100%	100%
Figgs Bidco 2 Limited ¹	Holding Company	UK	100%	100%
Ibstock Group Limited	Holding Company	UK	100%	100%
Fortcrete Ltd	Manufacturer of concrete products	UK	100%	100%
Home Building Supplies Ltd ²	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 ³	Dormant	Jersey	100%	100%

Entity	Principal activity	Country of incorporation	Proportion of ordinary shares held directly by the Parent	Proportion of ordinary shares held by the Group
Ibstock Finance Co Ltd ³	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 ²	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 Hatherware Ltd	Dormant	UK	100%	100%
Ibstock Bricks (1996) Ltd	Dormant	UK	100%	100%
Wealdbeam Systems Ltd ²	Dormant	UK	100%	100%
Loopfire Systems Ltd ²	Dormant	UK	100%	100%
Glen-Gery Corporation ⁴	Brick manufacturer	US	100%	100%
Landmark Stone Products LLC ⁴	Stone manufacturer	US	100%	100%
Redfield Quarry LLC ⁴	Dormant	US	100%	100%

^ Figgs Topco Limited is owned directly by Ibstock plc. All other companies are indirectly owned.

The country of incorporation is the same as the place of business for all the above entities. All entities have the same registered office as the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire LE67 6HS except those subsidiary entities with numerical superscripts.

1 – Devonshire House, 1 Mayfair Place, London W1J 8AJ.

2 – Coppingford Hall, Sawtry, Huntingdon, Cambridgeshire PE28 5GP.

3 – 47 Esplanade, St Helier, Jersey, Channel Isles, JE1 0BD.

4 – 1166 Spring Street, Wyomissing, PA 19610 USA.

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 1 January 2016, 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. Legal ownership of the Figgs Topco Limited share capital transferred to Ibstock plc on 9 February 2016.

31. Related party transactions

	Transaction amount	
	Year ended 31 December 2016 £'000	Period ended December 2015 £'000
	Purchase of services:	
Bain Capital Investors LLC	–	8,995

In the year ended 31 December 2016:

On 2 September 2016, Diamond (BC) S.à r.l., (a wholly-owned subsidiary of Bain Capital Investors LLC) announced the sale of 40,500,000 ordinary shares in the capital of the Group. Following the sales, Bain Capital Investors LLC holds 150,200,435 Ordinary Shares representing approximately 37.0% of the entire issued share capital. As at 31 December 2016 the Board of Directors of the Company, consider, based on the facts and circumstances, that Bain Capital Investors LLC continues to have significant influence over, but does not control, the Group.

Notes to the Group consolidated financial statements continued

31. Related party transactions continued

In the period ended 31 December 2015:

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 Investors LLC, was therefore the immediate parent of the Group and Bain Capital Investors 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., had significant influence over but does not control the Group.

The shareholder loan notes and preference shares held by the Group during the prior period (Note 8) were owed to Diamond (BC) S.à r.l., a subsidiary to Bain Capital Investors LLC and 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 24. There are no balances with Bain Capital Investors 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 Capital Investors LLC). Additionally, on Ibstock plc issued 50,000 ordinary shares on incorporation to Diamond (BC) S.à r.l., (wholly-owned by Bain Capital Investors LLC). A shares were converted as part of the Group reorganisation during the period. See Note 24.

Transactions with related parties during the period also include management subscriptions for shares of £0.6 million, see Note 27 and the Directors' Remuneration Report on pages 58 to 73.

See Note 7 for details of key management personnel remuneration.

During the prior 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 was paid back before the prior year-end.

32. Contingent liabilities

Contingent liabilities were provided for on acquisition in line with IFRS 3. There are no further contingent liabilities as at 31 December 2016 or 31 December 2015.

33. Dividends paid and proposed

	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Declared and paid during the period		
Equity dividends on Ordinary Shares:		
Final dividend for 2015: 4.4 pence	17,869	–
Interim dividend for 2016: 2.4 pence (2015: nil)	9,746	–
	27,615	–
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2016: 5.3 pence (2015: 4.4 pence)	21,500	17,800
	21,500	17,800

The Directors are proposing a final dividend in respect of the financial period ended 31 December 2016 of 5.3 pence per ordinary share (2015: 4.4 pence) which will distribute an estimated £21,500,000 (2015: £17,800,000) of shareholders' funds. It will be paid on 9 June 2017 to those shareholders who are on the register at 12 May 2017 subject to approval at the Group's Annual General Meeting.

34. Post balance sheet events

Along with the proposed dividend (see Note 33), the Group refinanced its debt arrangements in March 2017. On 3 March 2017, the Group entered into a £250 million revolving credit facility ('RCF') with a group of six banks. The five-year facility contains covenant limits in line with those of the debt in place at 31 December 2016. An additional non-cash charge of £6.4 million in respect of acceleration of related debt costs and adjustments to interest on the basis of amortised cost will crystallise as a result of the refinancing in March 2017.

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)

Company number: 09760850

As at 31 December 2016	Notes	31 December 2016 £'000	31 December 2015 £'000
Fixed assets			
Investments	4	490,929	484,195
Current assets			
Debtors	5	107,537	98,404
Cash at bank and in hand		18	50
		107,555	98,454
Creditors – amounts falling due within one year	6	(41,378)	(15,649)
Net current assets		66,177	82,805
Total assets less current liabilities		557,106	567,000
Net assets		557,106	567,000
Capital and reserves			
Called-up share capital	8	4,063	4,055
Share premium account		–	–
Profit and loss account		553,043	562,945
Total equity		557,106	567,000

The notes on pages 139 to 143 are an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented in these financial statements. The Parent Company's profit after tax for the year was £16,192,000 (financial period ended 31 December 2015: loss of £11,530,000).

These financial statements were approved by the Board on 7 March 2017 and were signed on its behalf by:

W Sheppard
Director

K Sims
Director

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Share based payments £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2016		4,055	–	765	562,180	567,000
Profit for the period		–	–	–	16,192	16,192
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the financial period		–	–	–	16,192	16,192
Transactions with owners:						
Issue of share capital		8	–	–	(8)	–
Share based payments		–	–	1,529	–	1,529
Equity dividends	12	–	–	–	(27,615)	(27,615)
Transactions with owners		8	–	1,529	(27,623)	(26,086)
Balance at 31 December 2016		4,063	–	2,294	550,749	557,106
Balance as at 28 November 2014		–	–	–	–	–
Loss for the period		–	–	–	(11,530)	(11,530)
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the financial period		–	–	–	(11,530)	(11,530)
Transactions with owners:						
On incorporation		50	–	–	–	50
Capital reorganisation		482,668	–	–	–	482,668
Share based payments		–	–	765	–	765
Shares issued in the period		526	99,473	–	–	99,999
Share issue costs		–	(4,952)	–	–	(4,952)
Share and share premium capital reduction		(479,189)	(94,521)	–	573,710	–
Transactions with owners		4,055	–	765	573,710	578,530
Balance at 31 December 2015		4,055	–	765	562,180	567,000

The notes on pages 139 to 143 form an integral part of these financial statements.

Notes to the Company financial statements

1. Authorisation of financial statements

The Parent Company financial statements of Ibstock plc ('the Company') for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 7 March 2017 and the balance sheet was signed on its behalf by W Sheppard and K Sims.

Ibstock plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. The Company's ordinary shares are traded on the London Stock Exchange. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the company registration number is 09760850.

Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditors Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 26 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 74 to 76. In addition, Note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and 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 a going concern basis of preparation of its financial statements is appropriate.

In addition, see the Group's Viability Statement set out on page 37.

Fixed asset investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment and net of merger and Group reconstruction relief available.

Share based payments

The Company operates a number of equity-settled share based compensation plans on behalf of the Group. The fair value of the employee services received under such plans is capitalised as an investment in the Company's subsidiary until such time as intra-Group recharges are levied by the Company to recover this cost from its subsidiaries. Upon recharge, the amount recharged is treated as a return of capital contribution and recorded as a credit to equity (up to the value of the initial share based payment treated as a capital contribution). Any recharge in excess of the capital contribution is recognised within the Company income statement. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments.

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 consolidated 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 transacts in Sterling and therefore exposure to foreign exchange risk is regarded as low.

Credit risk management

For the Company, this risk arises from cash and cash equivalents and deposits with banks. This is managed on a Group basis and there are a number of initiatives underway to mitigate this risk. These include concentrating activities with a group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors.

Notes to the Company financial statements continued

1. Authorisation of financial statements continued

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.

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.

(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.

Disclosure exemptions

In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

- (a) under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that its cash flows are included within the Ibstock plc Group consolidated financial statements.
- (b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a parent entity whose separate financial statements are presented alongside the Group consolidated financial statements, which contain the requisite equivalent disclosure.
- (c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a parent entity whose separate financial statements are presented alongside the Group consolidated financial statements, which contain the requisite equivalent disclosure.
- (d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share-based payment disclosure requirements as it is a parent entity whose separate financial statements are presented alongside the Group consolidated financial statements, which contain the requisite equivalent disclosures.
- (e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such discloses only a reconciliation of shares outstanding at between the beginning and end of the period, and not the prior period.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing transactions with members or investees of the Ibstock plc Group.

2. 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.

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 year ended 31 December 2016 as management's judgement, based on a rigorous assessment, was that there were no indicators of impairment.

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 58 to 73. For further details of Directors' remuneration, refer to Note 7 of the Group consolidated financial statements.

Notes to the Company financial statements continued

4. Fixed asset investments

Cost	Investment in subsidiary undertakings £'000
On incorporation (28 November 2014)	–
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
At 31 December 2015	484,195
Additions – A preference shares in subsidiary undertakings – accrued interest	5,205
Additions – fair value of share incentives issued to Group employees	1,529
At 31 December 2016	490,929

Preference shares include accrued interest of £5,967,000 (2015: £762,000).

5. Debtors

	31 December 2016 £'000	31 December 2015 £'000
Amounts owed by subsidiary undertakings	107,509	98,250
Prepayments and other debtors	28	–
Current tax receivable	–	154
	107,537	98,404

The loan receivable is unsecured, repayable on demand and accrues interest at a rate of 8% per annum.

6. Creditors – amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Amounts owed to subsidiary undertakings	39,417	10,798
Accruals and other creditors	952	4,851
Current tax payable	1,009	–
	41,378	15,649

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 2016 £'000	31 December 2015 £'000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by subsidiary undertakings	107,509	98,250
Cash and bank balances	18	50
	107,527	98,300

	Loans and payables	
	31 December 2016 £'000	31 December 2015 £'000
Financial liabilities measured at amortised cost:		
Amounts owed to subsidiary undertakings	39,417	10,798
Accruals and other creditors	952	4,851
	40,369	15,649

The Company has no derivative financial instruments. The fair value of the financial instruments is equal to their carrying values.

8. Called up share capital

		Number of shares	Share capital £'000
Issued, called up and fully paid:			
At 1 January 2016	Ordinary share capital of £0.01 each	405,500,000	4,055
Shares issued in the year:		817,131	8
At 31 December 2016	Ordinary share capital of £0.01 each	406,317,131	4,063

In the current year, share capital has increased by 817,131 Ordinary shares of £0.01 each as a result of the issue of share capital to satisfy share options exercised in the year. Details of outstanding share options and other awards relating to the Company's shares are included in Note 27 to the Group consolidated financial statements.

9. Contingent liabilities

The Company has guaranteed all Group bank borrowings as detailed in Note 19 to the Group consolidated financial statements. As part of the Group's joint and several liability, the Company is a party to the guarantee of the Group's VAT liability, which is approximately £30 million per annum.

10. 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 31 to the Group consolidated financial statements.

11. Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly-owned within the Group. See Note 31 to the Group consolidated financial statements.

Share awards to key management personnel resulted in an amount of £209,000 in the year ended 31 December 2016 (period ended 31 December 2015: £723,000), which has been taken to the fixed asset investment. See Note 27, Share based payments and the Directors' Remuneration Report on pages 58 to 73 for further details.

During the year ended 31 December 2016, no amounts were charged by Bain Capital Investors LLC to the Company (during the period ended 31 December 2015: IPO related transaction costs totalling £4,320,000).

12. Post balance sheet events

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 5.3 pence per ordinary share (2015: 4.4 pence per ordinary share) which will distribute an estimated £21,500,000 (2015: £17,800,000) of shareholder's funds. It will be paid on 9 June 2017 to those shareholders who are on the register at 12 May 2017 subject to approval at the Company's Annual General Meeting. See Note 33 of the Group consolidated financial statements.

See Note 34 of the Group consolidated financial statements for details of other post balance sheet events.

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)
Justin Read (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

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Joint corporate brokers

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25 Bank Street
Canary Wharf
London
E14 5JP

UBS Limited
5 Broadgate
London
EC2M 2QS

Financial PR

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3 London Wall Buildings
London Wall
London
EC2M 5SY

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Remuneration consultants

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Actuary

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Buck Consultants
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Registrar

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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.

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