IBSTOCK PLC

Annual Report and Accounts 2018

At the heart of building

I am pleased to report on the first full year performance for the Group since my appointment as CEO.

2018 was a busy year for Ibstock and we have achieved a lot. We commissioned our new 100 million capacity state-of-the-art brick factory in Leicester and also reviewed all of the Group's assets, taking the decision to divest our US brick business, Glen-Gery, in November. This is an important milestone, simplifying the Group structure and leaving us with a strong core business, focused in the UK.

The market backdrop for our products remained supportive during the year, helped by the new build housing market. As a result, we delivered another year of revenue and adjusted EBITDA[1] growth in our core UK business. Our underlying cash flow generation remained strong and was supplemented by the proceeds from disposal of our US business and surplus property during the year, allowing us to de-leverage our balance sheet.

We have delivered benefits for many of our stakeholders this year: seeing a further reduction in lost time accidents for our employees, our progress on energy efficiency has been recognised externally and we paid a supplementary dividend to shareholders.

Looking forward, we have two core businesses, Ibstock Brick and Ibstock Concrete. They benefit from market-leading positions and provide a strong platform to deliver future growth and value creation, putting Ibstock "at the heart of building".

Joe Hudson
Chief Executive Officer

4 March 2019

Key facts

Ibstock sites across the UK

38

Years of many customer relationships

40+

Approximately 80% of new builds use brick in their construction

c.80%

Ibstock is the number one brick manufacturer by volume of bricks sold in the UK

No.1

1 Financial results stated are from continuing operations only throughout the 2018 Annual Report and Accounts. Non-financial Key Performance Indicators are presented including all Group operations.

Find out more
To see our comprehensive range of products go to
www.ibstockplc.com

Location: Great Kneighton, Cambridge.
Product: Ivanhoe Cream and Himley Ebony Black bricks

Contents

Financial highlights

Revenue[1] +8%

£391m

2017: £363m +5%
2016: £344m

Adjusted EBITDA[1,2] +4%

£112m

2017: £108m +9%
2016: £99m

Statutory reported profit[1] +17%

£76m

2017: £65m -28%
2016: £90m

Statutory reported EPS[1] +17%

18.8p

2017: 16.0p -23%
2016: 20.7p

Adjusted EPS[1,2] -1%

18.8p

2017: 18.9p +15%
2016: 16.4p

Net debt[2] **-59%**

£48m

2017: £117m -12%
2016: £133m

Final dividend per share 0%

6.5p

2017: 6.5p +23%
2016: 5.3p

1 Financial results stated are from continuing operations only throughout the 2018 Annual Report and Accounts. Non-financial Key Performance Indicators are presented including all Group operations.
2 Alternative performance measures are described in Note 3 to the financial statements.

Front cover:

Location: Beak Street, London.
Product: Bespoke blend of glazed bricks.

Location: Oakwell Grange, London.
Product: Ivanhoe Cream bricks.

Location: Commercial Road, Bournemouth.
Products: Cast Stone in bath colour.

This page:
Location: University Arms Hotel, Cambridge.
Product: Bradgate Multi Cream bricks, bespoke precast structural and non structural arches and lintels.

At the heart of building – enabling the construction of homes and spaces that inspire people to work and live better.

Who we are
Ibstock plc is a leading manufacturer of clay bricks and concrete products in the UK.

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

Our mission
- Create a reference point for transformation in building and construction.
- Anticipate the needs of the market and exceed customer expectations.
- Put people and performance at the heart of our Company.
- Develop our people and capabilities.

Our strategy
We will achieve our mission by delivering against our three strategic pillars:

- Driving sustainable performance: we will continually develop new organisational capabilities to drive world-class performance across our operations. We will focus on health and safety, operational excellence and continuous improvement and sustainability.
- Market led innovation: we will build upon our unrivalled product range, delivering further innovation to support the changing needs of our customers and the built environment. We have developed commercial excellence initiatives and will optimise our supply chain to maximise value.
- Selective growth: having simplified our Group structure and de-leveraged our balance sheet, we are well positioned to invest in further organic growth projects and selective M&A opportunities.

Driving sustainable performance.

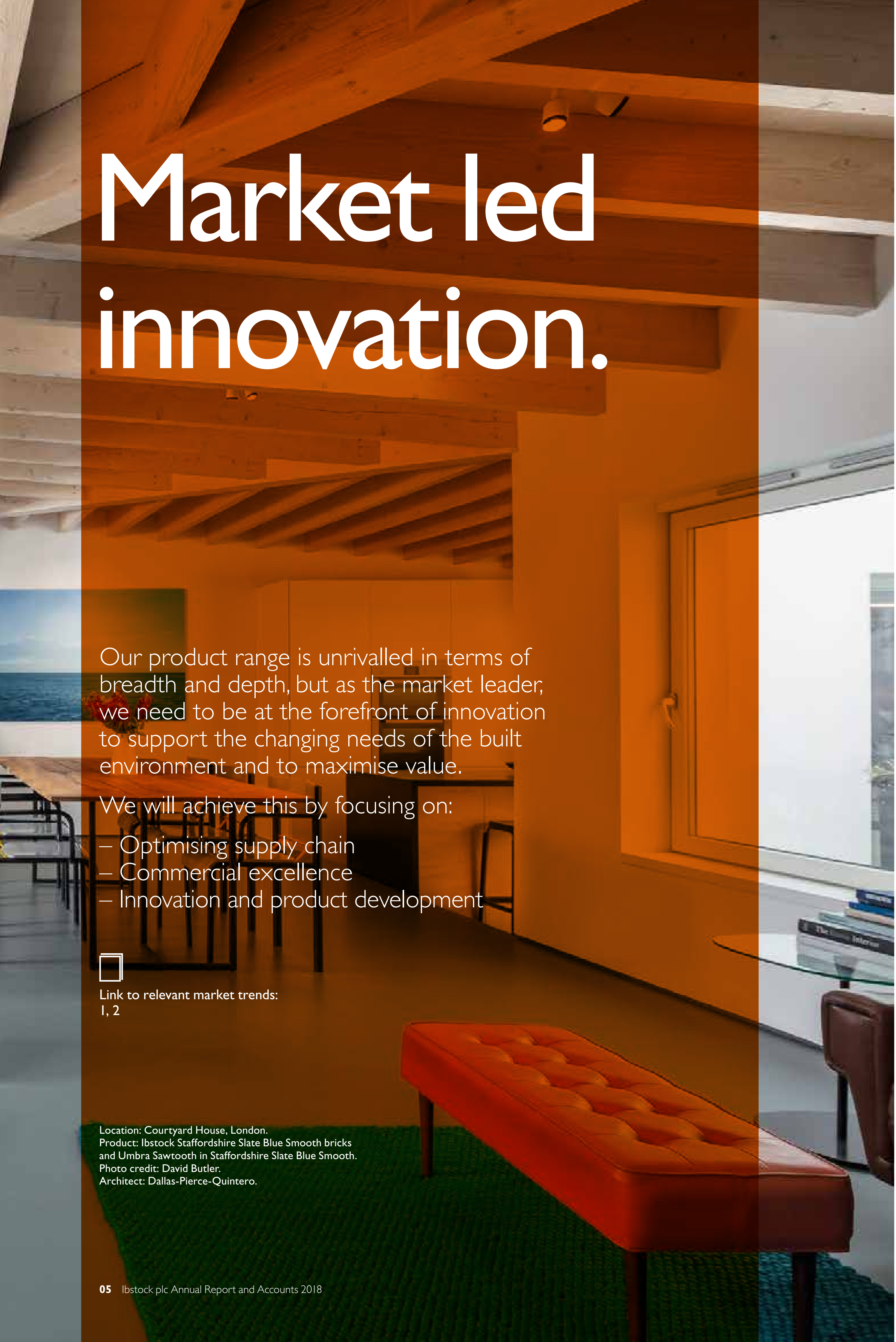
We will continually develop new organisational capabilities to drive world-class performance across our operations.

We will do this through:

– Health and safety
– Operational excellence
– Sustainability
– Structure and capability

Link to relevant market trends:
1, 2

Ibstock Brick's new Eclipse Factory open day to local community on Saturday, 22 September 2018.
Photo credit: Gareth Walker.



Market led innovation.

Our product range is unrivalled in terms of breadth and depth, but as the market leader, we need to be at the forefront of innovation to support the changing needs of the built environment and to maximise value.

We will achieve this by focusing on:

– Optimising supply chain
– Commercial excellence
– Innovation and product development

Link to relevant market trends:
1, 2

Location: Courtyard House, London.
Product: Ibstock Staffordshire Slate Blue Smooth bricks and Umbra Sawtooth in Staffordshire Slate Blue Smooth.
Photo credit: David Butler.
Architect: Dallas-Pierce-Quintero.

Selective growth.

Having simplified our Group structure and de-leveraged our balance sheet, we are well-positioned to invest to deliver long-term growth.

Our approach to growth continues with the following priorities:

– Portfolio management
– Organic growth
– M&A

Link to relevant market trends:
1, 2

Ibstock Brick's new Eclipse Factory open day to local community on Saturday, 22 September 2018. Photo credit: Gareth Walker.

Looking forward

Commercial excellence to support value growth.

Improving market segmentation

- Private housing development
- Commercial specification projects
- Social housing
- Retail

Segmented offers creating more value through a better understanding of the customers' needs.

Focusing in commercial excellence

- Price and margin management
- Product range management
- Sales excellence
- Customer experience management

Differentiation and the right capabilities to create and capture value moving from a product to a solutions approach.

Addressing market/industry trends

- Digitalisation
- Skills
- New construction techniques
- Sustainability footprint

Combining insights and foresights, leveraging trends for creating tomorrow's businesses.

Leading manufacturers of…

Walling
- Facing bricks
- Special bricks
- Walling stone
- Architectural masonry
- Façade systems
- Lintels, sills, arches & padstones
- Retaining walls

Roofing
- Roof tiles
- Roof window systems
- Roofing accessories
- Chimneys
- Soffits

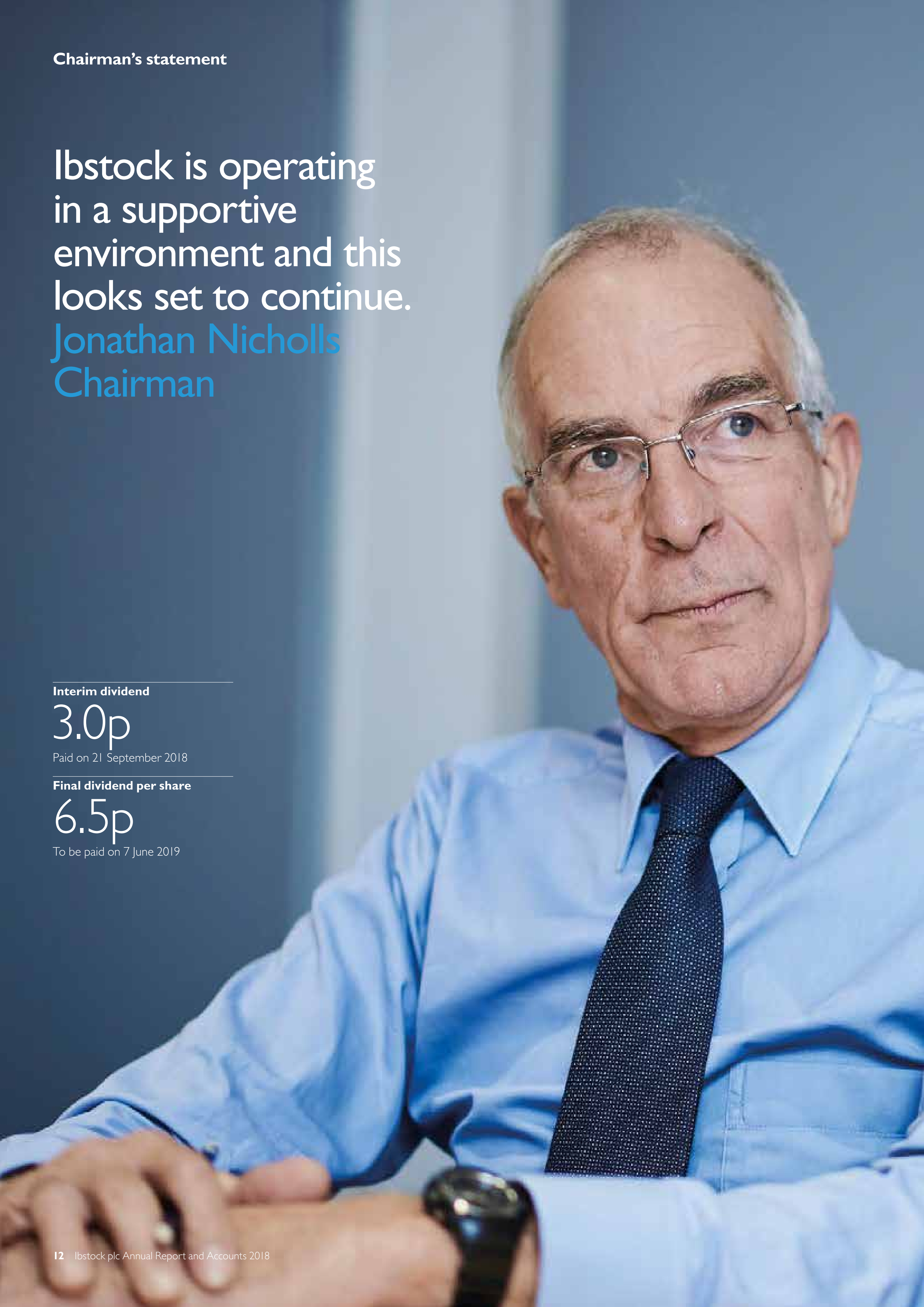
Rail & infrastructure
- Troughing
- Cable theft protection
- Boards, blocks & bases
- Catchpits
- Inspection chambers
- Retaining walls

Garden & landscaping
- Fencing
- Caps & copings
- Bollards
- Balustrades
- Path edging
- Urban landscaping

Flooring & groundwork
- Floor beams
- Door steps
- Gully surrounds
- Screed rails

Bespoke services
- Engraving, cutting & bonding
- Floor beam design & supply solutions
- Bespoke concrete products

…and much more



Ibstock is operating in a supportive environment and this looks set to continue.

Jonathan Nicholls
Chairman

Interim dividend

3.0p

Paid on 21 September 2018

Final dividend per share

6.5p

To be paid on 7 June 2019

Overview

This is my first statement as Chairman, having taken over the role at the Annual General Meeting in May 2018. I would like to thank Jamie Pike, my predecessor as Chairman, for his leadership of the Board since our listing in October 2015.

The Board was delighted to welcome Joe Hudson, who took over the role of CEO in April. Joe brings a wealth of experience to Ibstock and is leading the Company on the next stage of its development.

Ibstock is operating in a supportive environment and this looks set to continue. Looking forward, therefore, I am confident that we will continue to deliver sustainable profits and good cash generation, whilst maintaining a strong balance sheet.

In the year ended 31 December 2018, the Group reported revenue of £391 million on a continuing basis (2017: £363 million) and profit for the year of £77 million (2017: £74 million).

Overall, 2018 has been a year of challenge, change and consolidation for the Group. We issued a trading statement in July, which set out the need for increased maintenance activity and capital expenditure in our production facilities resulting from an extended period of production at close to full capacity. The programme is progressing well and is on track to deliver more robust production targets.

In November, we completed the disposal of our Glen-Gery operations in the US. This move will enable management to concentrate on our UK operations, building upon our strong base in clay and concrete building products. Glen-Gery was first acquired by the Ibstock Group in 1979 when the Group was previously a public company. Prior to our return to the London Stock Exchange in 2015, Glen-Gery re-joined the Group and we now wish them success on the next stage of their corporate journey under the ownership of Brickworks Limited.

Board changes

In addition to our Chairman and CEO changes, we were delighted to welcome Louis Eperjesi and Claire Hawkings to the Board during 2018.

Louis joined the Board on 1 June 2018 and brings extensive knowledge and experience of the manufacture and supply of building products in international markets. His strong commercial, marketing and product background, through which he has successfully driven strategy development, change management programmes and M&A activity at Tyman plc, will be of great benefit to the Group.

Claire joined the Board on 1 September 2018 and her experience of leading Tullow Oil plc's executive's agenda; overseeing Company performance management and reporting; delivery of the organisational strategy, including the diversity and inclusion agenda will help us guide Ibstock through the next stage of its development as a listed business.

Upon appointment, both Louis and Claire joined the Board's Remuneration Committee, Audit Committee and Nomination Committee.

In February 2019, Kevin Sims, our Chief Financial Officer announced his intention to retire during 2019. Kevin has been with the Group for more than 30 years with the last three as Chief Financial Officer. Kevin has made an enormous contribution to Ibstock over the years, played an important role in Ibstock's successful listing on the London Stock Exchange in October 2015 and the Group's subsequent continued development.

He will be succeeded by Chris McLeish. Chris is currently Group Vice President Finance and Control at Tate & Lyle PLC, and will join the Board in early August 2019.

Corporate Governance

I am pleased to report compliance with the UK Corporate Governance Code 2016. Details of the activities of our Board and its Committees during the year are set out on pages 58 to 107. During 2018, we have been assessing the impacts of the newly issued 2018 Code, which applied from 1 January 2019.

Shareholder returns and dividends

We paid an interim dividend of 3.0 pence per Ordinary Share and also our first supplementary dividend of 6.5 pence per Ordinary Share on 21 September 2018. The latter payment was in line with the supplementary dividend policy announced in March 2018 as part of the Group's wider capital allocation policy, reflecting the strong cash flow and the positive market backdrop.

The Board proposes to pay a final dividend in respect of the year ended 31 December 2018 of 6.5 pence per Ordinary Share, making a total Ordinary distribution in relation to 2018 of 9.5 pence. Subject to shareholder approval, the final dividend will be paid on 7 June 2019 to shareholders on the register on 10 May 2019.

Colleagues

Our employees continue to be our greatest asset and, on behalf of the Board, I would like to thank them all for their contribution to the Group's performance during 2018. I am confident that their continued commitment will ensure the ongoing success of the Ibstock Group.

Jonathan Nichols
Chairman

4 March 2019

With a simplified Group structure, strong balance sheet and a solid core business focused on the UK, we are well positioned to deliver future growth and value creation.

Joe Hudson
Chief Executive Officer

Introduction

I am pleased to report on the first full year results for the Group since my appointment as CEO in April 2018.

The market backdrop for our products was relatively supportive through the year, with building rates remaining robust and brick imports continuing to be drawn into a UK market where demand exceeded domestic supply capacity. Against this backdrop, I am pleased to report that our results for the full year were in line with our expectations as set out in our July trading statement.

We delivered another year of revenue and Adjusted EBITDA[1] and profit before taxation growth, driven principally by our clay brick business, which benefited from a combination of both price and volume growth. We successfully commissioned our new 100 million soft mud brick factory during the year, at a time when the market needs additional capacity, and this contributed to volume growth in the second half. In November, we announced the sale of Glen-Gery, our US brick manufacturing business, enabling us to focus on our core markets in the UK.

We remained strongly cash generative and the additional cash inflows we saw from our surplus property sales and the disposal of Glen-Gery allowed us to continue to de-leverage to the bottom end of our guided debt range. We paid our first supplementary dividend to shareholders in 2018, which demonstrates our commitment to shareholder returns.

We had to make some tough decisions at the half year and announced an enhanced maintenance programme in our UK clay brick business. This was essential to sustain the output of our plants following a prolonged period of strong demand and high utilisation, but also to maintain the range and quality of our products. The programme ensures we take a more disciplined approach to plant outages, while investing more in maintenance. The programme is continuing into 2019 as planned and we are pleased with the progress made to date.

Optimising our operational performance will be an important area of focus going forward as we seek to maintain our current market positioning and execute on our strategy. We made good progress in some areas this year. People are our most important asset, so I am delighted to see a further decline in lost time accidents. There is more work to do here but I am pleased we are making progress. Ibstock was also recently awarded an 'edie Energy Efficiency Award', reflecting some of the progress we have made in recent years with our environmental KPIs which are very important to us as a Group.

People

Creating value for all of our stakeholders

Shareholders	– Industry-leading margins – Adjusted EBITDA growth bringing strong shareholder returns
Employees	– Invest in our people and grow them in their careers – Employees can become shareholders (SAYE)
Customers and suppliers	– Customers' first choice with differentiated offers – Industry-leading customer service
Communities	– Actively participate in the development of communities around us – Manage our environmental footprint

There's more on the value we create on pages 20 to 21.

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

We announced in February that Kevin Sims will retire as Chief Financial Officer in 2019, after more than 30 years with the Group. Kevin played a vitally important role in Ibstock's successful listing on the London Stock Exchange in 2015 and in its continued success and development. Kevin will hand over to Chris McLeish who joins us from Tate and Lyle PLC in August 2019. Kevin will work with Chris to ensure an orderly succession and a smooth handover and will continue to be available to the Group until the year end. I look forward to welcoming Chris to the team later in the year and wish Kevin well for his retirement.

I am also strengthening the broader executive management team at Ibstock. We have recently recruited a new Group Marketing Director with significant industry experience, who will ensure we take a more strategic approach to branding and marketing across the Group. A new managing director for our clay brick business will join us later in the year, to assist with refocusing that business both commercially and operationally. These new hires will also be key to helping us deliver some of the commercial excellence initiatives which will help us drive revenue growth in the coming years. Additionally, we have developed the role of Continuous Improvement and Sustainability Director, which will support our operational excellence and sustainability initiatives.

Strategic update

During the year, we completed a review of the Group's assets and as a result, announced in November that the Board had made the decision to dispose of Glen-Gery, the Group's US brick manufacturing operation. The structure of the brick market in the US is different from that of the UK, being more regional and fragmented, and therefore returns were unlikely to be in line with our strategic objectives. The disposal has simplified the Group and focused it on its core UK market. The net cash proceeds on disposal totalled £76 million, which contributed to significantly strengthening our balance sheet during the year.

Following the disposal of Glen-Gery, the Group now comprises two core businesses, both with leading market positions in the UK, which provide an excellent base for further growth and development.

- **Ibstock Brick** is the leading clay brick manufacturer in the UK, with an extensive product range of over 400 brick types, and 19 manufacturing sites across the country, strategically located near to its extensive clay reserves. Ibstock Kevington is the UK's largest brickwork special shape and masonry fabrication company with 5 manufacturing sites.
- **Ibstock Concrete**, comprising the Forticrete, Supreme Concrete and Anderton Concrete brands, with strong positioning across building, fencing, roofing and rail markets.

These businesses provide a strong platform for growth and, looking ahead, we have many opportunities for innovation and optimisation. We have identified three broad areas of opportunity for the Group which we plan to put at the heart of our strategic development in the years ahead:

1. Driving sustainable performance

We have high-quality people with significant expertise across our business. However, we believe that we will need to continually develop new organisational capabilities and structures to ensure we drive world-class performance in our operations. To that end, we have identified the following focus areas:

- Health and safety – our people are our most important asset, protecting them is key to a safe and sustainable Group performance.
- Operational excellence and continuous improvement – our product quality and range has been the hallmark of our success. Going forward we will invest more in world-class manufacturing systems and processes to ensure our assets are optimised and maintained to ensure reliability and cost effectiveness.
- Sustainability – already plays an important part in our business but we are in the process of setting more ambitious targets which focus on our environmental footprint and social impact.
- Structure and capability – We will look to simplify our organisation to ensure excellent service for our customers, best practice sharing and efficiencies across our businesses. In addition, we will recruit new talent and capabilities from other industries to support our existing teams and bring in new ideas and conventions.

2. Market led innovation

Ibstock's product range is unrivalled in terms of breadth and depth but as the market leader, we need to be at the forefront in innovation to support the changing needs of the built environment and to maximise value. To achieve this, we will focus on:

- Optimising the supply chain – our industry is very traditional and we must develop more efficient systems and technologies to service our customers and the markets in which we operate.
- Commercial excellence – we will strive to ensure we have the right levels of differentiation, segmentation and pricing rigour to ensure we have the best value propositions for our customers and our businesses.
- Innovation and product development – Ibstock has a long history of innovation and we will continue to focus on developing our products and building systems to provide solutions for our industry.

3. Selective growth

We ended 2018 with a strong balance sheet and a net debt to Adjusted EBITDA ratio of 0.4x, leaving the Group well positioned to invest to deliver long-term growth. Following the disposal of Glen-Gery, the Group is now firmly focused on the UK, where it has opportunities to grow both organically and selectively by acquisition. Our approach to growth continues with the following priorities:

- Portfolio management – our objective is to have a balanced portfolio of businesses with leading positions in their respective markets. At this stage, we remain focused on businesses that service the "building envelope" for housing and commercial applications.

– Organic growth – the allocation of capital to projects within our existing portfolio provides control and greater certainty for return. The recent investment in our state-of-the-art 100 million brick Eclipse factory bears this out. We will continue to evaluate similar projects in the future. However, we have identified several smaller enhancement projects which will increase capacity at some of our existing brick and concrete manufacturing plants. These projects will increase efficiency, add incremental volumes and improve the asset performance over the mid-term.
– M&A – In addition, we will review acquisition opportunities, looking at both smaller bolt-on opportunities and larger transformational M&A, where there is a clear strategic fit and opportunities for both revenue and cost synergies. We will maintain a disciplined approach to reviewing any potential acquisition – at this stage our focus is on assets that are UK based, with a strong strategic rationale and overlap with our existing businesses and routes to market are all key principles, as is financial discipline and we intend to take a conservative view on valuations.

Summary

2018 has been a very busy year for Ibstock. Following our trading update in July, we have divested our US business, simplified the Group structure and refocused on the UK, where we have strong market positions in our two core businesses. These changes provide us with a solid platform to deliver future growth and value creation over the medium term.

We are now focused on optimising the performance of our core business with both operational and commercial excellence initiatives being rolled out this year. Our accelerated de-leveraging during 2018 leaves us well positioned to invest to drive future growth. We will maintain a disciplined approach to reviewing any potential acquisition – at this stage our focus is on assets that are UK-based, with a strong strategic rationale and overlap with our existing businesses and routes to market as our key principles. We will maintain financial discipline and intend to take a conservative view on valuations.

The ongoing uncertainty around the UK's withdrawal from the EU is unhelpful and a situation which we will have to monitor closely in the near term. However, the business is well positioned and the fundamentals and market backdrop remain supportive in the medium term. I look forward to working with the team here at Ibstock to deliver on our refreshed strategy as we look to deliver long-term value creation for all our stakeholders.

Joe Hudson
Chief Executive Officer

4 March 2019

We are now focused on optimising the performance of our core business with both operational and commercial excellence initiatives being rolled out this year.

We have market-leading positions within each of our markets.

Key drivers that impact the demand for our products:

– UK construction output
– UK housing starts

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. With the largest clay brick production capabilities in the UK, the Group continues to hold a market-leading position, together with leading market positions in UK concrete products.

In the UK, the three largest brick manufacturers (Ibstock, Forterra and Wienerberger) account for the vast majority of UK brick production. Conversely, many of the UK concrete markets within which the Group operates are fragmented with a number of small players.

To date, the overall UK economy has seen some adverse impacts as a result of the uncertainty regarding the outcome of Brexit negotiations and the possible negative medium-term effects on the UK's economic performance.

In the event of "No deal" with the EU, the UK will leave the EU and default to World Trade Organisation terms of trade. The precise implications of a "No deal" scenario are currently less certain. These could result in the UK becoming a 'third country' with substantially less access to the EU single market and our relationship with the EU being governed by general international law, including World Trade Organisation rules.

As noted on page 44, the Directors believe that the Group has limited exposure as a result of Brexit but recognises the potential impacts and has sought to mitigate associated risks.

UK repairs, maintenance and improvement ("RMI") market, trends and developments

The private residential RMI sector is the third largest construction sector with output in 2018 worth approximately £21.5 billion. Activity in the RMI sector is closely correlated with the level of property transactions as individuals renovate homes prior to a sale or modify them after purchase (with a lag of six to nine months). This generally leads to stable activity levels and RMI output is forecast to remain flat in 2018 and 2019, before increasing by 2.0% in 2020 (Source: Construction Products Association).

Whilst the low supply of existing properties for sale may dampen transactions, it provides further impetus for property extensions or improvements in place of moving. More significantly, outright homeowners, who are generally impacted less by real wage falls, have benefited from long-term increases in housing wealth coupled with the pension freedoms introduced in 2015.

Location: New Road, Bampton.
Product: Shearstone Walling in Cotswold Village.

Location: Moreteyne Park, Marston Moretaine.
Product: SL8 roof tiles in Grey

Residential RMI +7%

£21.5bn

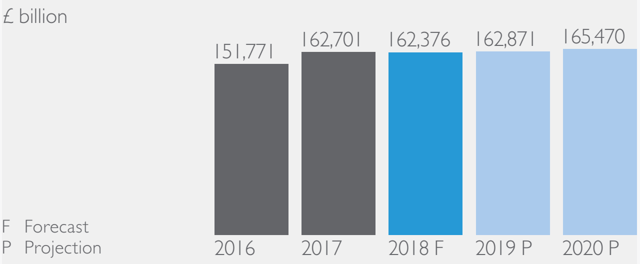
The private residential RMI sector output in 2018

Residential RMI

+2%

The private residential RMI sector is forecast to grow by 2% in 2020

UK construction output



Source: Construction Products Association, Winter 2018.

Why this is important to Ibstock plc

Total construction output in Great Britain is estimated at £162.4 billion in 2018 (a 0.2% decrease from 2017). The Construction Products Association (CPA) estimates that construction output for Great Britain will increase marginally (by 0.3%) in 2019 before seeing an increase of 1.6% in 2020 as activity picks up.

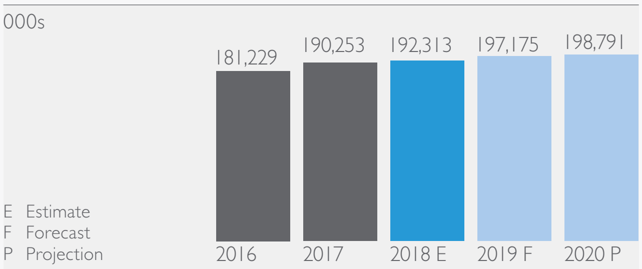
It is apparent that the trend differs across all construction sectors with an increase in activity being particularly marked within the private housing sector. The CPA forecast growth in this sector to increase by 2.0% in both 2018 and 2019, with a mix of anticipated growth levels across the regions of the UK as the Government's Help to Buy programme helps to sustain growth outside of London.

Link to strategy
2, 3

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

Link to risk
1, 2

UK housing starts



Source: Construction Products Association, Winter 2018.

Why this is important to Ibstock plc

The UK housing market has been structurally undersupplied for a number of years, with housing starts falling below household formations. With an estimated 80% of new homes using clay bricks within their construction, increases in new housing volumes directly impact the demand for our brick products. Since the UK Government commissioned the Barker Review in 2003, which suggested a shortage of housing in the UK at that time of approximately 450,000 houses, this undersupply has grown to in excess of one million homes. Subsequently, numerous reports, including the UK Government's white paper "Fixing our broken housing market" in February 2017 and the recent Shelter Commission's report "A vision for social housing" reiterate the need for new homes in England in order to keep pace with population growth and to tackle the years of housing undersupply.

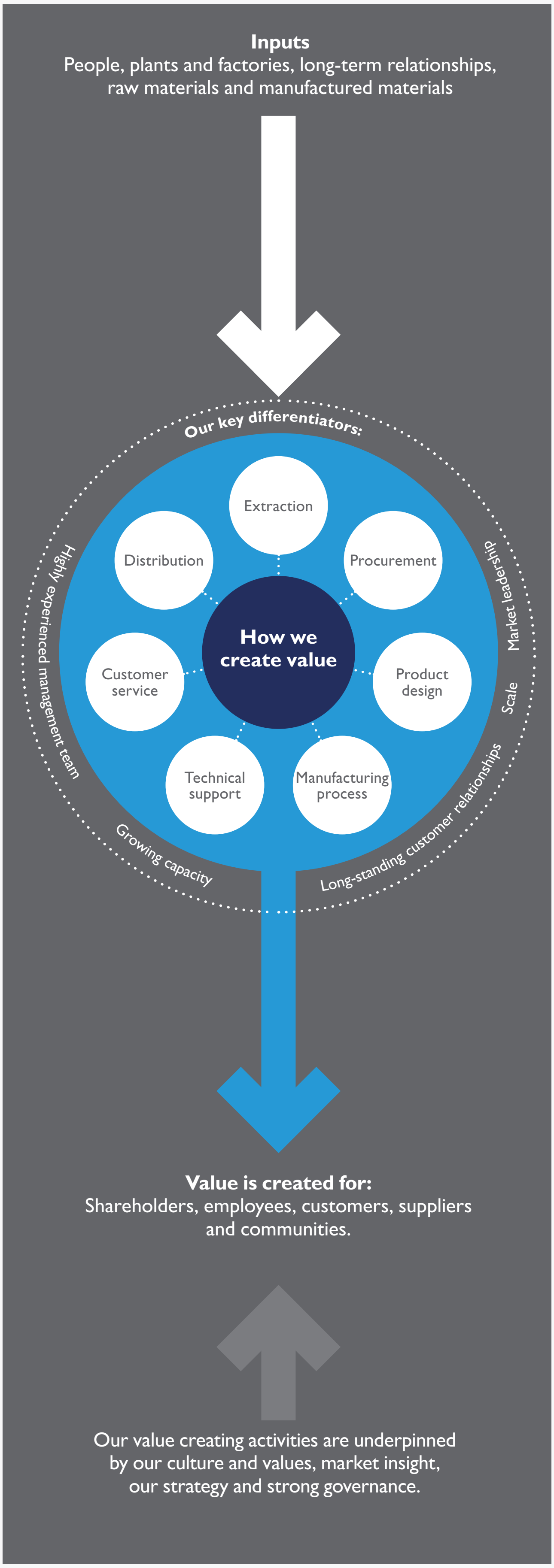
Political support for more housebuilding remains strong. Existing Government policy continues to provide backing to housebuilding with all major political parties maintaining policies strongly supportive of housebuilding. The Chancellor's 2018 Budget announced further measures to assist with the stated desire to increase housebuilding to 300,000 new homes annually, whilst new build dwelling starts totalled 166,400 in the year to September 2018, up 1% compared to the prior year. Further, the full 2018 budget statement confirmed the Government's commitment to the Help to Buy scheme and confirmed extension of the scheme for a further two years to 2023.

Household formations are often used as proxy for future demand for housing. The Department for Communities and Local Government (DCLG) projections suggest that the number of households in England is expected to grow from 22.7 million in 2014 to 28.0 million by 2039, indicating an average increase of 210,000 households per annum. Combining this growth with the existing backlog of housing need, led Heriot-Watt University to estimate that the country requires 340,000 new homes per year until 2031.

Link to strategy
2, 3

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

Link to risk
1, 2



The Group is a leading manufacturer of a diversified range of clay and concrete building products, with operations across the UK.

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.

Extraction

Clay and shale used in our brick production process is sourced from clay quarries that the Group operates on land that it owns or leases under long-term agreements. The quarries are in the vicinity of our brick manufacturing plants providing security of supply of the key raw material used in brick manufacture.

Procurement

The Group is a major customer for a number of its key third party suppliers, which allows efficient purchasing and transportation, together with the establishment of long-term relationships. Additionally, for the Group's concrete products, the main raw materials are bulky in nature and are locally sourced. Natural gas and electricity costs represent the greatest input costs apart from labour. The Group regularly reviews its energy costs and uses forward purchasing contracts to increase pricing certainty when favourable compared to future price expectations in the open market.

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 our sales team to identify opportunities for new products. See pages 36 and 37 for examples of innovation during 2018.

Manufacturing process

The Group has the largest brick production capacity in the UK and has a strategic footprint across the UK. We also have the most modern and innovative concrete roof tile line in the UK and our concrete fence post manufacturing facilities provide us with a market-leading position.

The Group manufactures bricks through two main processes: wire cut and soft mud, which take their names from the processes to create them. With wire cut bricks, clay is continuously extruded to a required size and shape, before cutting by wire into individual bricks. These are then dried before firing in a kiln. Soft mud bricks are made by placing a mix of clay and water into individual moulds to create a brick shape, which is dried and then fired in a kiln after ejection from the mould.

The Group's concrete products are made from cement, sand, admixtures and pigments, which are mixed together. In the case of a roof tile, the mix is extruded onto moving pallets and then cut to form individual tiles. The cut tiles are cured in chambers, finish coated and dried. The 'grey' concrete products, such as fence posts, are made using a semi-dry or wet cast process. The concrete is discharged from a machine hopper into a mould containing steel reinforcement bars with high frequency vibration used to compact the mixture and then demoulded by turning over the moulds before curing.

Technical support
The Group seeks to differentiate itself as a manufacturer 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 sells its products to a diverse group of customers in the UK 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 38 principal manufacturing locations across the UK are strategically located close to main transportation links to facilitate onward distribution. The Group outsources the majority of its haulage to two contractors.

Our key differentiators
Market leadership
Our market-leading businesses enable us to benefit from the expected growth in demand in the UK.

Scale
We have over 80 million tonnes of consented clay reserves and in excess of 140 million tonnes of clay resources, providing good support for production capacity of 0.9 billion bricks per annum across 24 clay plants.

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 industry.

Relevant links:
Our markets, pages 18 and 19.
Principal risks and uncertainties, pages 42 to 47.

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 42 to 47, 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 within Note 23 of the financial statements.

Employees
The Group employs a large number of people across its operations and as described in the "Resources and relationships" section on pages 32 to 41, and the development and progression of our employees is seen as key to the Group's long-term success. Alongside the Group's strategic priority of providing a safe and healthy working environment, the Directors believe that the employee share ownership encouraged by the Share Incentive and Save As You Earn programmes and supported by strong corporate governance, are further ways in which value flows to the Group's employee stakeholders.

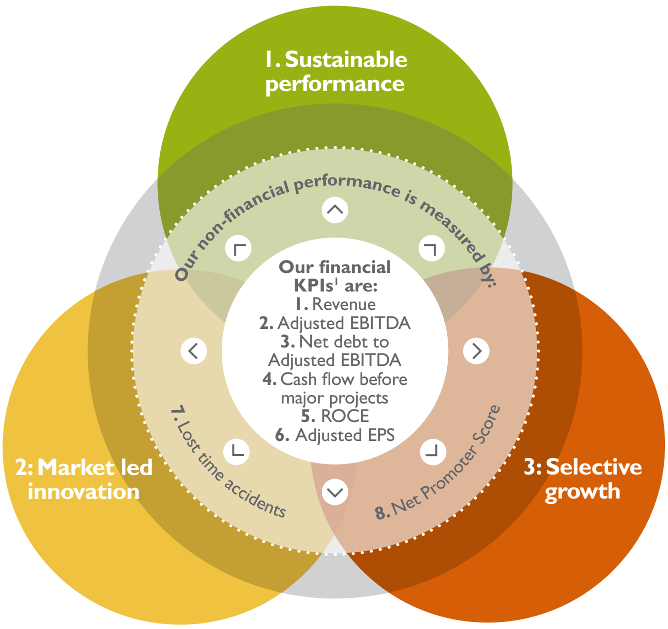
Customers
Builders' merchants, housebuilders, specialist brick distributors, contractors and installers are the five main customer groups for the Group's clay and concrete products in the UK. These customers are not always the same as the individuals and organisations that are making the buying decisions 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. The unrivalled choice of products available within the Group's range of clay bricks provide these customers with the widest selection from which to choose. As a full-range supplier, our concrete businesses provide customers with a broad product set upon which to base their buying decisions.

Suppliers
Ibstock aims to forge long-term relationships with its key suppliers, and conduct business in a fair, open and transparent way. Our Group procurement team have designed policies and procedures with which our suppliers and teams are required to comply. These are all aimed at ensuring we work safely, equitably and in the best interests of both parties, as well as the Group's other stakeholders. These policies and procedures are covered in more detail on pages 37 and 38.

Communities and environment
In addition to the employment provided by, and taxation contributed by, the Group, we interact directly with the communities within which we operate. Our "Resources and relationships" section on pages 32 to 41, 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 proud member of "Business in the Community".

Our strategy is to optimise and grow our core business in the UK, to deliver sustainable performance and value creation over the long term.

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



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

Non-financial KPIs
LTAs, Net Promoter Score.

Building the strategy

During 2018 we reviewed our portfolio and took the decision to dispose of our US subsidiary, Glen-Gery, and exit the US market. We enter 2019 with a strong core business focused on the UK and a strong balance sheet with the capacity to invest and deliver long-term growth.

Our three strategic pillars:

Sustainable performance

We will continually develop our organisational structure and capabilities to ensure we drive world-class performance in our operations, focusing particularly on manufacturing, health and safety and sustainability of our business.

We have built market-leading positions in both our brick and concrete businesses over many years, with strong brands and diverse product portfolios. It is important that we continue to invest and optimise to maintain this positioning.

Link to risk
1, 2, 3, 4, 5, 6, 7, 8, 9. 10, 11

Link to market trends
1, 2

Link to KPIs
1, 2, 5, 6, 7

Market led innovation

Our product range is unrivalled in terms of breadth and depth but as the market leader, we need to be at the forefront in innovation as the market evolves. We will focus on new product development and optimising our supply chain to support our customers and maintain our position.

The construction industry continues to evolve, as our customers look to control construction costs and drive efficiency in the build process. It is important that we meet the needs of our customers and support them to achieve their aims.

Link to risk
1, 3, 4, 5, 8, 10, 11

Link to market trends
1, 2

Link to KPIs
1, 2, 5, 6, 8

Selective growth

With a strong balance sheet we have the capacity to invest in both organic enhancement projects in our clay brick business and execute M&A opportunities where we see a strategic fit and opportunity to create value.

Our core business provides a solid platform for future growth, with strong brands, customer relationships and established routes to market. We can expand this platform to deliver long-term growth and value creation.

Link to risk
1, 2, 6, 7, 8, 9

Link to market trends
1, 2

Link to KPIs
3, 4, 5, 6, 8

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

Sustain

Sustainable performance
Optimising our core business to ensure we take care of our people and make the most of our assets. We continuously look to simplify our business, improve our performance and operate in a sustainable manner.

Excel

Commercial excellence
Maximising opportunities from our core business to create value, working more closely with our customers, focusing commercial excellence, product innovation and optimising our supply chain.

Location: Beak Street, London.
Product: Bespoke blend of glazed bricks.
Photo credit: Gareth Walker.

Grow

Selective growth:
Reviewing our portfolio to focus on high return businesses with leading market positions. We will invest in organic growth and enhancement projects in our clay brick business and review potential M&A opportunities where there is a strategic fit with our existing businesses.

Find out more about our core markets pages 18 and 19.

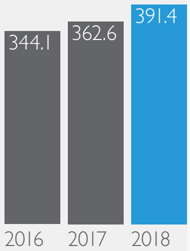
Location: The Music Box, London
Product: White gloss WT10 glazed bricks

Measuring our success and value creation

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

Key performance indicators[1]

Revenue*
£ million
£391.4m



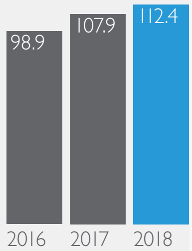
Definition
Revenue represents the value for the sale of our building products, exclusive of local sales tax and trade discounts.

Performance
Link to the strategy and objectives of the business.

Change

Link to strategy 2 3

Adjusted EBITDA[2]*
£ million
£112.4m



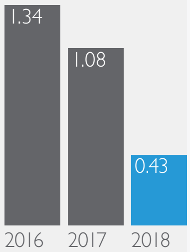
Definition
Represents profit before interest, taxation, depreciation and amortisation after adjusting for exceptional items.

Performance
Link to the strategy and objectives of the business.

Remuneration link and change £

Link to strategy 2 3

Net debt to adjusted EBITDA[2]*
(ratio)
0.43



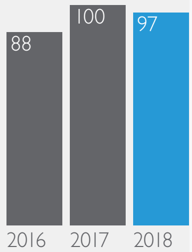
Definition
Net debt, comprising short- and long-term borrowings less cash, over adjusted EBITDA (as defined opposite). A reduction in the ratio represents a positive performance.

Performance
Link to the strategy and objectives of the business.

Change

Link to strategy 2

Cash flow before major projects[2]*
£ million
£97m



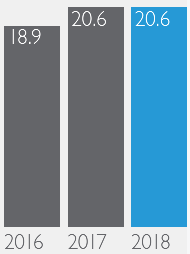
Definition
Represents the net cash flow after adjusting for capital expenditure on major projects.

Performance
Link to the strategy and objectives of the business.

Remuneration link and change £

Link to strategy 2 3

ROCE[2]*
Percent
20.6%



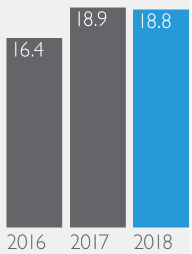
Definition
The ratio of profit before interest and taxation, after adjusting for exceptional items, to average net assets and debt (excluding pension).

Performance
Link to the strategy and objectives of the business.

Remuneration link and change £

Link to strategy 3

Adjusted EPS[2]*
Pence per share
18.8p



Definition
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).

Performance
Link to the strategy and objectives of the business.

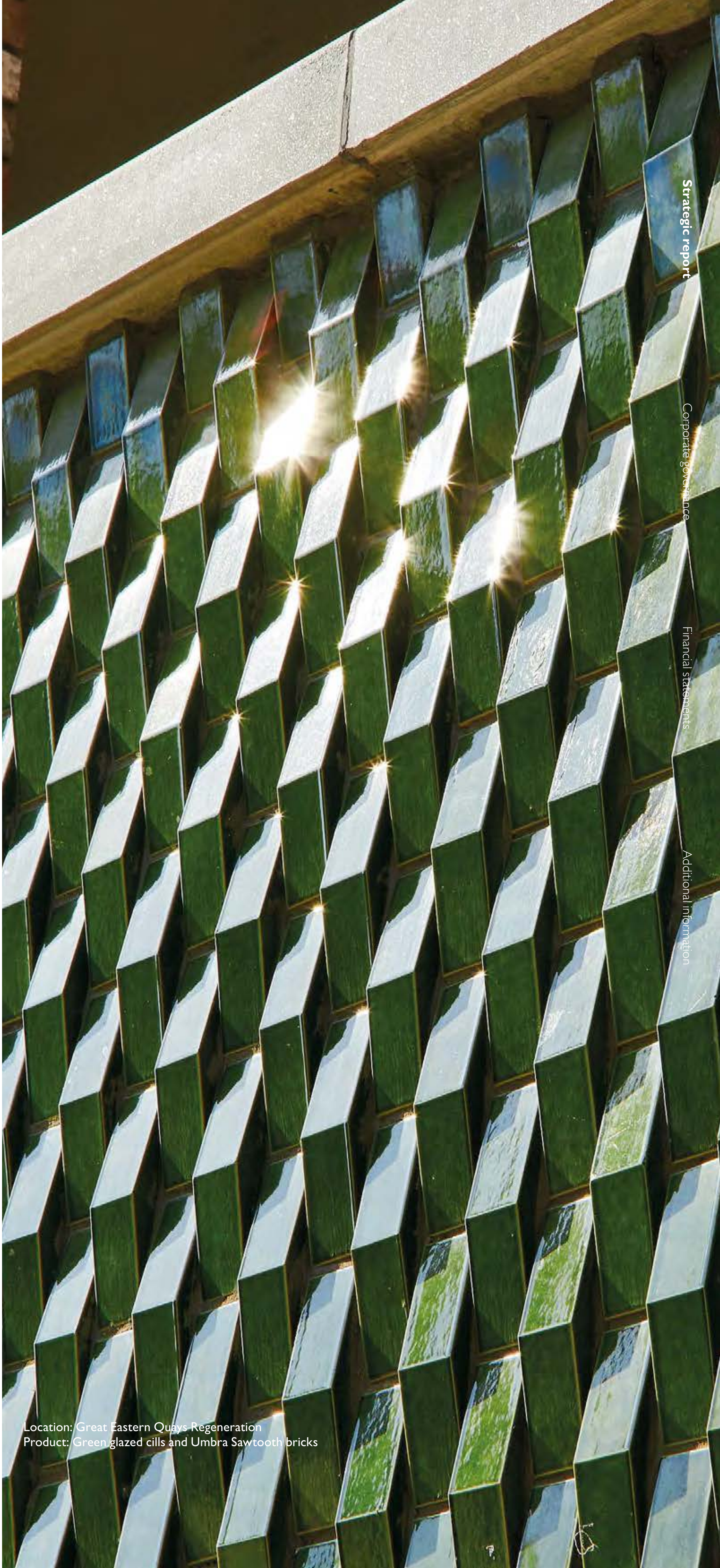
Remuneration link and change £

Link to strategy 2 3

1 Non-financial KPIs are covered on page 30.
2 Alternative Performance Measure – see Note 3 of the financial statements.
* Continuing operations (with prior year figures restated accordingly).

London design centre and specification focus

We are leveraging our links with architects, designers and specifiers and are opening a London design centre. This is supporting our market led approach focusing on design and innovation.



Location: Great Eastern Quays Regeneration
Product: Green glazed cills and Umbra Sawtooth bricks

Location: Creek Road, Greenwich, London.
Architect's Choice category winner
at the Brick Awards 2018.
Product: Funton Old Chelsea yellow.
Photo credit: Fotohaus

Customers

Our commitment:

– Be our customers first choice through differentiated offers and industry-leading customer service.

What we achieved in 2018:

We designed and commissioned our London design centre in Farringdon, providing a new "go to market" strategy for Ibstock.

Net Promoter Score ("NPS") achieved by Ibstock in 2018

43%

Net Promoter Score (NPS) is intended to measure the loyalty that exists between a company and its customers. Any positive NPS score is considered good and a typical NPS for an "excellent" business-to-business company is around 25%. We are delighted to achieve 43% again in 2018.

Communities

Our commitments:

– Actively participate in the development of communities around us.
– Manage our environmental footprint.

What we achieved in 2018:

We welcomed more than 400 members of the local community to celebrate the opening of our new Eclipse factory in Ibstock.

Employees

Our commitments:

- Invest in our people and grow them in their careers.
- Encourage employees to become shareholders via our SAYE scheme.

What we achieved in 2018:

A reduction of 11% in Lost Time Accidents. Keeping employees safe is a key area of focus and where we aim to deliver further improvements in the coming years.

Lost time accidents

-11%

Shareholders
Our commitments:

- Maintain strong margins and ROCE.
- Deliver strong cash generation to support shareholder returns.

What we achieved in 2018:
We paid total dividends of 16.0p in relation to 2018, including our first supplementary dividend of 6.5p per share.

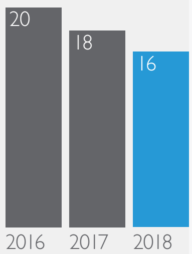
Ordinary dividends
+4%

Location: Barrett's Grove, Stoke Newington
Product: Birtley Olde English Buff bricks

Our people are at the heart of our operations.

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

Number of Lost Time Accidents by year
Actual
16



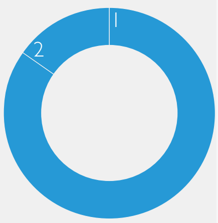
Link to strategy 1

Net Promoter Score
Actual
43%

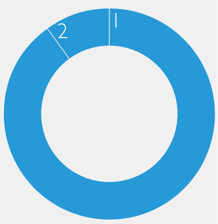
Link to strategy 1 2

Gender split across the Group

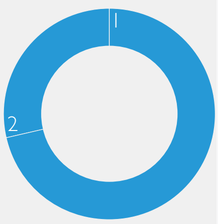
All employees
1 Male: 1,928
2 Female: 341



Senior managers
1 Male: 9
2 Female: 1



Directors
1 Male: 5
2 Female: 2



* Continuing operations.

Introduction

The Group has seen a degree of change during the year ended 31 December 2018 with the appointment of a new Chairman and Chief Executive Officer. Upon commencement of their new positions, the new senior leadership has taken a fresh look at the Group's existing strategy. This strategy update has coincided with the release of the 2018 UK Corporate Governance Code with its greater focus on vision, strategy, stakeholder engagement and values. We have made good progress in these areas during the current year as this refresh process continues; and in next year's Annual Report and Accounts, when the new Code is in force, we will report further in each of these areas.

The 2018 Annual Report and Accounts includes a summary of our work in these areas to date, including our mission on page 1, our strategy on page 22 and the initial results of our stakeholder engagement activities, set out below. Key to this is the introduction of the Ibstock way. As one Group, with a number of great brands, we believe having a clearly defined set of behaviours will enable us to drive the right culture and performance.

In addition to our shareholders, we consider the Group's key stakeholders to be our employees, customers and suppliers, as well as the communities and environments in which we operate.

Our people

We recognise the unique contribution of each and every person that we employ and aspire to provide a harmonious and safe working environment where everyone can develop their skills, fulfil their career aspirations and share in our ongoing success. Our Group's Diversity and inclusion policy sets out our commitment to promoting equal opportunities in employment and ensuring that all job applicants, employees and other workers (such as agency staff and consultants) are treated with dignity and respect regardless of any personal characteristics.

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

Where an employee becomes disabled during their employment with us, all efforts are made to try to ensure the employee can continue in their current role. However, if, due to the specific circumstances, this is not possible, every effort will be made to provide retraining for alternative employment within the Group.

We aim to ensure that all our recruitment and selection practices are based upon fair and objective criteria. We encourage the continuous development and training of all our people throughout their career with us.

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.

As a building products manufacturer, Ibstock's operating companies have traditionally attracted a very high proportion of male employees, especially within factory based production roles. Office based support roles have a more even split of male and female employees, including a high proportion of women in both sales and customer support roles.

The Group acknowledges the aims, objectives and recommendations outlined in the Hampton-Alexander Review, which is focused upon 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 have observed with interest as the proportion of women serving on FTSE Boards has increased again this year and we are aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. Similarly, we have made good progress in the level covered under the reporting requirements of the Hampton Alexander Report, increasing the percentage of women in this group from 8.3% in 2017 to 26% in 2018.

However, we do not consider that it is in the best interests of the Company, or its shareholders, to set prescriptive targets for gender and we will continue to make appointments based on merit, against objective criteria to ensure we appoint the most suitable person for each role. That said, we are working hard to encourage more females into the business. For example, we are working with our recruitment partners to ensure that we are attracting high-quality candidates from a range of backgrounds regardless of gender or ethnicity. We are pleased to report in a very focused area, having recruited our first ever female Engineering Apprentices into Ibstock Brick during 2018.

Our current employee population reflects the traditional nature of the industry, with around 85% of roles being occupied by men, including a high percentage of males employed in factory-based production roles. Our employee population is therefore reflective of the manufacturing sector as a whole, and especially within building products manufacturing where men have traditionally performed factory-based production roles.

Our gender diversity performance is displayed in the charts on page 32 and in the year we continued our efforts in this area through our Group-wide "Women in business" forum, promoting greater engagement from our female leadership and talent pipeline. This internal network is intended to ensure women across our companies feel supported in achieving their career aspirations, through peer support and focused coaching, as appropriate.

The Group is pleased to comply with gender pay gap regulations and we believe firmly in providing equal opportunities regardless of gender or ethnicity. The results of our gender pay gap for our largest subsidiary are noted with the Directors' Remuneration Report on page 87.

We view the gender pay gap data as a valuable tool to help understand why our own business and our industry are missing out on female talent. We see gender pay gap reporting as a critical step in our drive to attract, retain and develop a diverse workforce across the Group. We are proud of the steps we have already taken, and continue to take, to encourage more females into our business. During 2018, we have taken action to encourage inclusivity within our recruitment processes to ensure that high-quality candidates are considered from a range of cultural backgrounds across all departments. We have instructed our recruitment partners to actively source female candidates for those roles that are currently considered as roles typically performed by men and vice versa.

Health and Safety

The Group employs around 2,300 people across the UK and we place the highest focus upon ensuring all our people go home safe every day. The most common injuries within our industry arise from slips and trips, contact with moving machinery and manual handling injuries. As such, it has been a strategic priority to focus on Health and Safety ("H&S") in the workplace, and is at the core of all our operations.

It is the Group's objective to provide a healthy and safe working environment for all our employees and the contractors at Ibstock sites.

As a large employer, we must comply with all relevant regulatory requirements. These, combined with industry specific codes of practice and guidelines, establish minimum H&S requirements, and under such laws and regulations, employers typically must establish the conditions and the management of work in a manner that effectively prevents or adequately controls hazards within the work environment.

These documents are used to help define Group policies and procedures for all employees. These are set out in the Ibstock plc Health and Safety Policy Manual. We have comprehensive 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 H&S professionals support the operational delivery of H&S management and leadership.

During 2018, the induction process was reviewed and standardised across the business. The new employee and contractor induction covers both the employer's and employee's responsibilities for H&S based around Ibstock's 12 fundamentals. These are based around Ibstock's daily activities including risk assessment, mobile plant and pedestrian safety, and allow us to focus on H&S in the work place with a 'safety begins with me' culture. To achieve zero harm at all times it is vital that visitors to our sites and new employees, whether permanent or contract, are inducted and given the opportunity to fully understand and appreciate our approach to H&S on all our sites.

Working with our contract haulier; the load securing of products has been reviewed and industry best practice applied to ensure the safety of road users. Quarterly meetings are in place to review effectiveness and look at how the H&S standards of our hauliers can be improved.

Competency of our workforce is vital to ensure day to day tasks are performed safely. Manual handling is one of the biggest risks in our Company. After a successful trial, Ibstock plc moved away from the traditional classroom based training to an improved practical on-the-job training, engaging with the industry specialist to tailor the training to our needs. The roll out of this training will continue into 2019.

It is our ambition to achieve zero harm to our people and we continue to reduce the number of lost time accidents incurred each year. We are pleased to report a reduction in the current year with 16 LTAs reported in the year ended 31 December 2018. This represents a fall of 11% LTAs year on year. The Board continues to regularly monitor the Group's performance against our Lost Time Accidents KPI, and this focus continues to play a part in reducing this KPI measure over recent years.

In addition to continuing our long-term focus on the improvement in LTA performance, 2019 sees the launch of our year-long Health and Wellbeing programme, which focuses on a different topic each month, with the aim of improving the lives of the Group's employees.

Training and apprenticeships

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 loyal and engaged workforce with the skills and experience necessary to deliver our business objectives both now and into the future.

In 2018, over 7,000 days of training were provided to the Group's employees: this equates to an average of 3.2 training days per person. We deliver a comprehensive development programme covering a range of topics from operational and technical skills improvement through to modular and structured Leadership Programmes to support our succession plans. We pride ourselves on developing our people and 25% of roles were filled by internal applicants ensuring our people are able to fulfil their career aspirations. One of the key reasons for our continued success is our ability to retain the in-depth skills and knowledge about our customers and operations.

Ben Lumsden (right) and Jack Travers (left) were invited by British Chamber of Commerce to attend Parliament to represent Ibstock Brick and our industry.

Emma Prusek, Technical Assistant received an Outstanding Achievement Award for her first year at Leicester College where Emma is undertaking her HNC in Construction In The Built Environment.

The Group is pleased to comply with new gender pay gap regulations and we believe firmly in providing equal opportunities regardless of gender or ethnicity.

Continuous improvement is the core of our operations, constantly looking for more efficient ways of doing things and embracing technology wherever possible. However, all employees will eventually retire, and for over 20 years we have operated a highly successful apprenticeship programme. Since 2012 we have enhanced this programme through central co-ordination and standardisation to ensure all apprentices are trained to a consistent standard, including specific sign-off within the organisation over and above that required by the training provider.

Our apprenticeship scheme 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.

The Ibstock schemes are four-year programmes, which focus on giving apprentices the skills required to maintain and improve our factories, as well as manufacture our products to a very high standard. As well as the technical and operational skills, we also help apprentices to develop the attitudes and behaviours essential to the safe and efficient operation of our factories. Part of this programme also covers the development of life skills to boost confidence and communication. Upon completion, our apprentices are awarded nationally recognised qualifications, together with an excellent set of practical skills.

We currently have 37 apprentices within Ibstock Brick, on Technical, Mechanical Engineering or Electrical Engineering Programmes. This includes two female engineering apprentices, who began working with us during 2018. 12 apprentices have completed their programmes and have moved into key operational roles within Ibstock Brick. These range from Engineering Operatives and Team Leaders through to Technical Managers.

During 2018, two of our Apprentice of the Year winners, Ben Lumsden (2017) and Jack Travers (2016), were invited by British Chamber of Commerce to attend Parliament to represent Ibstock Brick and our industry. Ben and Jack had the opportunity to participate in an MP's discussion about the Ibstock Apprenticeship Scheme and their own personal experiences of apprenticeships.

In 2019 we are extending our Engineering Apprentice programme across the whole business and we will be recruiting 11 Engineering apprentices across Ibstock Brick, Forticrete and Supreme, with a further three Technical apprentices for Ibstock Brick. We are exploring opportunities to develop the Ibstock plc Apprenticeship Scheme across all departments, starting with a pilot in Manufacturing for Production Operatives planned for 2019 whilst also piloting higher level apprenticeships within our Finance team.

Employee engagement

We recognise that delighted customers are the result of highly competent, engaged and diligent people. Day to day relationships with our customers are central to our success and have often been built over many years through personal relationships with our teams. We are very proud that our employee retention levels have consistently remained high. In 2018, our combined employee retention rate across all Group companies was 84%. This, combined with our service profile, demonstrates a sustainable organisation where people feel valued and advocate us as being a great employer.

A variety of methods are used to engage with employees, including factory and team meetings; departmental briefings; and in-house publications. We will use one or more of these channels to brief employees about our business performance and the financial and economic factors affecting us. In specific instances, where a consultation is required (such as the closure of the Group's defined benefit scheme in the prior year), consultation groups are put in place with elected employee representatives.

To improve the lines of communications we have introduced a number of new ways of engaging with our people during 2018. These include the introduction of "This week" emails to all staff from the CEO, Joe Hudson. These Monday morning communications provide an update on the activities of the CEO and provide commentary on wider corporate events and transactions to ensure all employees understand the Group's business and have an awareness of the Board's activities. Additionally, we have begun Group-wide calls following the Group's official results announcements. These offer employees an opportunity to ask questions about the recent performance and wider strategic decisions, as well as the outlook for the Group.

Our new quarterly employee newsletters which are received by every member of staff from the CEO to our factory workers were also added to our communications this year. These newsletters celebrate the success of the businesses as well as applauding our employees' achievements from charity events through to personal development accomplishments and employee milestones.

During 2018 the Group operated two Save As You Earn ("SAYE") share schemes with the maximum allowable discount of 20%. The scheme is open to eligible employees, who are encouraged to save a fixed monthly sum for a period of three years. There has been a high level of participation in both schemes from our people as we seek to encourage employee membership so that they can share in our success, becoming shareholders who have a direct investment in our business.

In 2019, we are planning to relaunch our Employee Engagement Survey to all of our operating companies. We absolutely believe that the opinions of our people about us as their employer matter and we aim to ensure that we capitalise on their feedback to continue our ambition of being a great employer. As part of our focus on staff welfare we are putting health and well-being in the spotlight with the launch of a new workplace campaign for 2019, Working Towards Your Health and Wellbeing – which aims to engage with staff on key issues and promote a healthier work environment. Each month will have a different theme, including drug awareness, women's and men's health, mental health, cancer and alcohol awareness with many of these tying into national and international events.

Our customers

The Group's brands and customer relationships are key to the sustained long-term success of the Group, as recognised within the principal risk number 4 (see page 45). Maintenance of our customer relationships is a key focus of our employees and Net Promoter Score (NPS) serves as one of our non-financial Key Performance Indicators. During the year we once again commissioned numerous customer satisfaction surveys to understand our performance and identify areas where we can strive to improve.

During 2018, Ibstock Brick was awarded the "Best Heavy Side Brand" award at the inaugural Builders Merchant Journal (BMJ) Awards, with the winners having been chosen by a public vote. Additionally, we were recognised as the "Best Overall Supplier" at Jewson's annual conference and supplier exhibition "Jewson Live". The latter gave recognition of our efforts to ensure continuity of supply despite experiencing record despatch days. We also partnered with Jewson to market a brand new product manufactured at our new Eclipse factory. These awards demonstrate the ongoing support we provide to our customers, even within challenging periods for the industry, and shows the dedication of our teams in serving our customers and to creating long-term business relationships.

Ibstock Brick scooped Best Heavy Side Brand accolade at Builders Merchant Journal Awards.


Ibstock Brick recognised at Jewson Awards as the Best Overall Supplier.

Ibstock Brick opened the new Eclipse factory which will help build up to 15,000 new homes a year

Creek Road, Architect's Choice Award winner at the Brick Awards 2018, utilised Ibstock Funton Old Chelsea Yellow brick to mirror the existing bricks whilst adding a contemporary twist.

Ibstock Kevington launched MechSlip, a new, lightweight, mechanically fixed cladding system that delivers all the benefits of natural clay brick.

Innovation

Innovation is at the heart of our business. Our continued commitments to investments in technology and infrastructure have enabled us to find new ways to improve the quality of our existing products and processes. Crucially, by creating a culture in which change is embraced and new ways of doing things are welcomed, we have also been able to develop new products and fresh approaches to problem-solving. Our approach to innovation is one that is shared right across the Group and at all levels within our workforce. At a commercial level this helps us to better anticipate and respond to future trends, thereby reducing the risks associated with maintaining the status quo.

Within Ibstock Brick, our product range remains the most extensive in the market. Our awareness of – and response to – shifting market trends, tastes and aesthetics has resulted in a continued expansion of our range. Over the last year we have added 15 new products to our range and 14 customer-specific products. New colour, size and texture options continue to be developed and added to the portfolio and we remain confident that our range remains market leading.

It is particularly important to recognise the role innovation plays at our new Eclipse factory. Eclipse is the most efficient brickworks of its kind and is an exemplar of British manufacturing and innovation. Here, new, efficient manufacturing process and award-winning approaches to design, sustainability and technology have enabled us to operate more efficiently, and in turn, reduce our impact on the environment.

The Group will continue to innovate through the adoption of state-of-the-art robotics, clean technologies and performance improvements. As proof that this approach is working, on average it now takes almost 70% less energy to make a brick than was the case in 1970.

Product innovation

The Group has a strong track record of award-winning products. This includes recognition at the Brick Development Association ("BDA") Brick Awards. Ibstock Brick has a history of award wins having been recognised in more than half of the award-winning categories and multiple "Supreme" award winners. In the 2018 annual awards ceremony, three outstanding projects using products from our Ibstock Brick range were named as winners, with a further two projects receiving commendations from the expert judging panel.

The Architect's Choice Award was voted for by the public from a selection of shortlisted projects in other categories. It was awarded to the BPTW Architects designed project at Creek Road in the heart of Greenwich. The project utilised Ibstock's Funton Old Chelsea Yellow brick to mirror the existing bricks whilst adding a contemporary twist

Within our Forticrete business, our revolutionary SL8 roof tile is a true example of class-leading product innovation. Introduced to the market in 2016, it has been granted three patents covering the camber, interlocking design and dry verge design. These patents provide the Group with 20 years' protection on our design and give assurance to our customers that they are using market-leading roof tiles within their construction projects when using our SL8 tiles. Such is our confidence in the SL8 product, we intend to submit it for a variety of construction products awards in 2019.

The Ibstock Kevington Umbra shapes introduce an exciting shadow effect across a brick façade bringing buildings to life by changing their appearance throughout the day. The innovative Umbra shape units are designed to coordinate with standard brickwork offering ease of installation and in order to develop bespoke visual effects.

Our culture of innovation is also pursued through collaborative projects both amongst the Group's businesses and with third parties. We believe successful partnering benefits both us and our partners and ultimately adds value to the customer. An example of a successful collaboration is the launch of Ibstock Kevington's MechSlip brick slip cladding system. Working alongside a specialist in metal fabrication and cladding, this product is an exemplar of continuous innovation across the Group.

MechSlip is widely viewed as a genuine brick innovation: it allows architects and specifiers to use real brick slips with the inspired efficiency and versatility of a mechanically fixed lightweight cladding system. MechSlip was developed in direct response to the evolving needs of the construction market, delivering a lightweight brick façade for projects where traditional methods of construction are more difficult to facilitate. It also has no combustible parts which is vitally important in light of the Hackitt review of Building Regulations and Fire Safety.

Our suppliers

The Group also aims to develop long-term relationships with its key suppliers, and conducts business in a fair, open and transparent way. Our Group procurement team have designed policies and procedures, with which our suppliers and teams are required to comply. These are all aimed at ensuring we work safely, equitably and in the best interests of the both parties, as well the Group's other stakeholders.

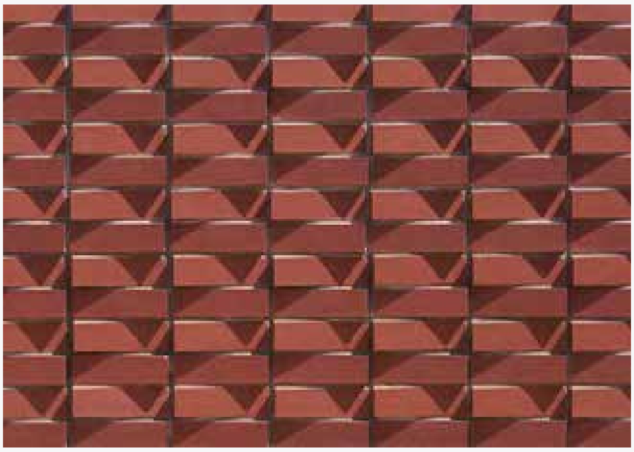
Responsible business

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. In 2018, 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 continues to maintain and enhance its excellent reputation as a Group that everyone can trust and wants to do business with.

Building on these compliance policies, 2017 saw the first year of the Group's online compliance training. This web-based compliance training was completed by 100% of the UK employees surveyed and covered a wide range of the Group's policies and codes of practice, including Anti-Bribery, conflicts of interest, business ethics and diversity. All new employees during the year were required to undertake the training with a full refresh across the Group planned for 2019.

In 2018, our tax strategy was disclosed on the Group's website. This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our vision for tax is to be a responsible corporate citizen, contributing the right amount of tax to society at the right time and in the right tax jurisdiction whilst maintaining our integrity and corporate reputation and continuing to deliver value for our shareholders.



Ibstock Kevington Umbra shapes introduce an exciting shadow effect across a brick façade bringing buildings to life by changing their appearance throughout the day.

Forticrete was granted three UK patents for its innovative SL8® large format roof tile.

The Group also aims to develop long-term relationships with its key suppliers, and conducts business in a fair, open and transparent way.

Ibstock Brick opened their new Eclipse factory to the local community on Saturday, 22 September 2018.

Ibstock recognises that investment of time into our communities is equally important and so we regularly spend time with local groups and schools.

Respect for human rights

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

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

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

Anti-corruption and bribery

Our Anti-bribery and Corruption Policy helps support our employees in making all those business decisions faced – be it with fellow employees, customers, suppliers, regulators and within the communities we work next to. We believe that these sound ethical principles help us all to act with honesty and integrity at all times. We believe it also means looking after the best interests of the Group and those we interact with.

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

Our communities and environment

Social matters

The Group's impact on society includes the provision of employment and training within communities across the wide geographies we operate within, and our practices in relation to our employees and apprentices, as discussed above.

Our societal influence also encompasses our products' impact on the built environment and the aesthetics of our building products are carefully considered during the design phase and through our close working relationships with architects and other customers through the planning process. Our products are subject to testing by our Group technical department and we perform quality audits through the year aimed at ensuring high standards across our factory locations are maintained.

At a regional level, it is important to note that a majority of our employees come from the local towns and villages surrounding our manufacturing facilities, making us one of the biggest employers in the areas we operate. We are keen to support local contractors and sponsor many local clubs and societies. Community projects are also supported through our quarry restoration partners under the Landfill Tax Credit Scheme which include the Ibstock Enovert Environmental Trust, WREN (through FCC) and the Mick George Community Fund.

Ibstock recognises that investment of time into our communities is equally important and so we regularly spend time with local groups and schools. Some of the groups we are involved with include the local Scouts and Guides, local schools and our local Parish Officers. Many of these organisations helped plant some of the 15,000 trees as part of the Eclipse project in Ibstock.

During 2018, we welcomed more than 400 members of the local community to celebrate the opening of our new Eclipse factory in Ibstock. The Group recognises that it would not have been possible to achieve the construction without the support of our employees and the surrounding community. Employees, local residents, community groups and schools attended to get a first-hand look at our brand new facility. The event served as an opportunity for us to thank the local community and our employees for their support of the project over the last three years during its construction.

Further examples of our involvement are included within our Environmental Report. This sets out several case studies from across the Group illustrating how we have engaged with local communities.

2019 will see the launch of a new charity partnership where we will select from a shortlist of two charity partners, who we will work with to raise awareness and vital funds to support people experiencing homelessness. The partnership will be for a minimum of two years to allow for relationships to grow and for momentum to build. Through our plans we are aiming to:

– bring the business together to make a positive impact on people that need it most;
– make a difference to social housing/homelessness which aligns with our business purpose and to which we can lend our expertise and products where appropriate;
– build employee engagement and team building through fundraising activity; and
– reach a target of £50,000 in year one (£25,000 to be raised through employee fundraising, with £25,000 being matched by the business).

Environmental

Like any successful business the Group remains conscious of the impact its operations have on the environment and communities in which it operates. We continue to produce products intended for a long life with low maintenance. We recognise the importance of being a sustainable business and have a number of standards operated throughout our businesses which include environmental, energy and quality all of which are audited both internally and externally verified.

Environmental Management

All of our UK businesses are accredited with ISO 14001 – the International Environmental Management Standard. Ibstock Brick was the first to achieve certification at all sites to ISO 14001 in the year 2001.

Where the Group undertakes its own extraction, we are subject to restoration obligations that may involve the reinstatement of quarries following our use. We monitor such obligations carefully and work with local authorities and communities to ensure quarry reinstatement is carried out most effectively. We are subject to laws and regulations governing the protection of the environment and natural resources.

Energy Management

Ibstock Brick was the first in the brick industry in the UK to achieve the International Energy Management Standard ISO 50001: we are immensely proud of this and also our approach to achieving ISO 50001 was quite different. First, we created an "Energy Centre of Excellence" at one of our factories. This allowed us to develop our strategy, pilot key initiatives and set objectives and targets for the entire business. We then identified people as the energy users, as opposed to machinery and processes. We implemented a two-year training plan tailored into two classifications: Significant Energy Users and All Energy Users focusing on what individuals can do to save energy. Continuous investment in the development of skills and expertise across of our workforce means we show true leadership in this field.

The Energy Saving Opportunity Scheme (ESOS) is a mandatory energy assessment and energy saving identification scheme for large undertakings and their corporate groups. The scheme applies throughout the UK. ESOS was established by the Department of Energy and Climate Change (DECC) in response to the requirement for all Member States of the European Union to implement Article 8 of the Energy Efficiency Directive ("the Directive").

All of Ibstock plc's UK operations are fully compliant with this scheme and have had relevant energy assessments carried out and will act on viable documented energy saving opportunities.

Responsible Sourcing of Raw Materials – BES 6001 is the framework standard for Responsible Sourcing and provides a holistic approach to managing a product from the point at which component materials are mined or harvested, through manufacture and processing. The majority of Ibstock plc sites have the BES 6001 certification.

Responsible Sourcing of Construction Products is demonstrated through an ethos of supply chain management and product stewardship and encompasses social, economic and environmental dimensions. Ibstock Brick first achieved an "Excellent" rating in 2016 and has maintained this highest level into 2018.

Quality Management

ISO 9001 is the world's most widely recognised Quality Management System and helps businesses like ours to meet the expectations and needs of our customers. Most of our UK sites have ISO 9001 in place with our Kevington business having an established Quality Management System to which they operate. Having a Quality Management System in place allows us to remain competitive by producing high-quality products, having motivated and engaged employees while maintaining compliance with relevant standards.

We are also bound by rules, which include those governing air emissions; water discharges, the use of solid and hazardous materials and wastes; and the investigation, remediation and monitoring of contamination. Our policies in each of these areas ensure compliance with the relevant legislation, and adherence to our set policies is monitored regularly by both our internal and external third party environmental audit team.

Ibstock Brick scoops Energy Efficiency win at edie Sustainability Leaders Awards 2019.

Greenhouse Gas ("GHG") emission figures
The strategic location of the Group's manufacturing plants, with a wide spread of factory locations across the UK, enables us to minimise the transport distances of products from leaving our premises to reaching the customer. This assists in reducing the environmental impact of transporting our products. The Group predominantly outsources its haulage to two contractors who, as significant companies in their own right, maintain high standards of road safety and strive to minimise their own environmental impact.

	2018	2017
Scope 1 Tonnes of CO_2e Combustion of fuel and operation of facilities	**346,197**	319,588
Scope 2 Tonnes of CO_2e Electricity	**31,442**	36,204
Intensity Ratio Tonnes of CO_2e per tonne of production	**0.17**	0.17

In 2018, our GHG intensity ratio has remained at 0.17 tonnes of CO_2e per tonne of production with the increase in total tonnes of CO_2e largely as a result of commissioning our new Eclipse factory.

We recognise the importance of being a responsible business and that sustainable development is a multifunctional concept such as the four pillars of sustainable development. The Group addresses these four pillars and defines our commitment through economic, social, natural resources and environmental aspects of its operations underpinned by development of management systems as documented and also has a number of KPIs in place.

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 the Group issued most recently in May 2018.

Recognition
During 2018, Ibstock Brick was recognised for its strategic approach to sustainability at the Business Green Leaders Awards 2018, with the company being Highly Commended in the Manufacturer of the Year category.

Our new Eclipse factory has been Highly Commended by the Electrical Contractors Association (ECA) at its Annual Awards for its integrated "intelligent" lighting solution, which will deliver 170,000kg CO_2 savings per year.

The Eclipse factory, situated at the Group's headquarters in Leicestershire, is the UK's most efficient brickworks. Located on an old landfill site and close to the principal raw materials source, the building meets Building Research Establishment Environmental Assessment Method (BREEAM) Industrial criteria, is clad in a highly breathable material to reduce the need for additional ventilation equipment and the whole building is extremely efficient in terms of energy consumption and resource efficiency.

In early 2019, Ibstock Brick was announced as the winner of the Energy Efficiency category at the prestigious "edie Sustainability Leaders awards 2019". The awards, coordinated by leading environmental publisher edie.net, recognise excellence across the spectrum of green business. We received praise from the judges for the recognition that all our people are essential change-makers when it comes to delivering sustained improvements in energy efficiency, and the great results seen over the past year are testament to that.

As a business we continue to take a proactive and progressive approach to sustainability. Our 2018 Sustainability Report will be published in mid-2019 and will be mainly focused around the key development of our Sustainability Roadmap 2025 which sets out what our vision and sustainability priorities will be to include clear targets and ambitions.

As a business we continue to take a proactive and progressive approach to sustainability.

Non-financial information statement

The Group aims to comply with the new Non-financial reporting directive requirements. The table below sets out where relevant information can be found within the 2018 Annual Report and Accounts.

Requirement	Policies	Relevant 2018 ARA information
Environmental matters	Environmental and quality policies, including: – Sustainability policy – Sustainable procurement policy – Quality policy – Accreditation certification for environment, quality and responsible sourcing	Environmental, pages 39 to 40
Employees	People policies, including: – Health and Safety Policy Manual – Diversity & inclusion policy – Anti-bullying and harassment policy – Code of business conduct – Whistleblowing policy	Our people, pages 32 to 35
Human rights	– Modern slavery statement – Data protection policy	Our suppliers, pages 37 to 38
Social matters	– Sustainability Working Group & Sustainability Roadmap 2025	Social matters, pages 38 to 39
Anti-corruption and bribery	– Anti-bribery and corruption policy – Competition law compliance policy – Supplier Code of Conduct	Responsible business, page 37 Anti-corruption and bribery, page 38
Business model		Business model, pages 20 to 21
Principal risks and impact of business activity		Principal risks and uncertainties (pages 42 to 47), specifically: – Government regulation and standards relating the manufacture and use of building products, page 45 – Recruitment and retention of key personnel, page 46
Non-financial key performance indicators		Lost time accidents, page 32 Net Promoter Score, page 32

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board is assisted in discharging this responsibility through its Audit Committee; whose role includes review of the Group's internal control and risk management system. The report of the Audit Committee can be found on pages 75 to 80, whilst details of the Group's system of internal controls can be found in the Corporate Governance statement on page 60.

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

During 2018, KPMG were engaged by the Group to undertake a detailed review of the Group's risk management approach, as discussed on pages 73 and 74. Following conclusion of the review, KPMG were re-engaged to support the Group in implementing the suggested enhancements to the risk approach. Significant progress has been made during autumn 2018 and the beginning of 2019, including completion of a risk aggregation exercise between the operational risks identified and the Group's principal risks and uncertainties.

The principal risks discussed below, separately or in combination, could have a material adverse effect on the Group's business model, future performance, solvency or liquidity. There have been no changes in the risks disclosed in the current year.

The principal risks are set out together with:

- A description of the risk and its potential impact;
- Examples of current controls and mitigation the Group has in place;
- An indication of direction of travel of the risk exposure; and
- An indication of the link to the Group's strategy, as set out on page 22.

Mapping risk to our strategy

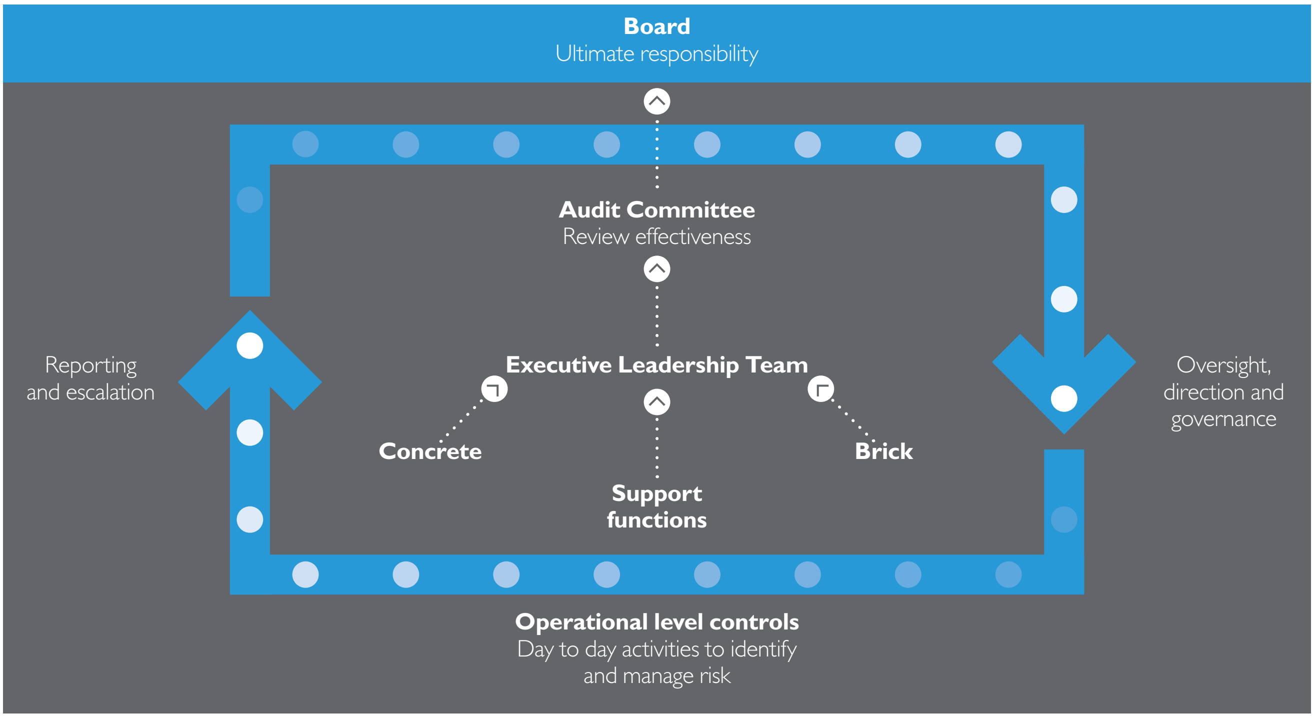
Our principal risks and uncertainties	Sustainable performance	Market led innovation	Selective growth
Economic conditions	●	●	●
Government action and policy	●		●
Government regulation and standards	●	●	
Customer relationships and reputation	●	●	
Operational disruption	●	●	
Recruitment and retention of key personnel	●		●
Input prices	●		●
Product quality	●	●	●
Financial risk management	●		●
Pension obligations	●	●	
Cyber security	●	●	

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 2018, a key component of the Directors' assessment of the risk was management's review of the risk matrices prepared by each subsidiary entity. Following the formation of the Group's Executive Leadership Team, this body will perform a further review role in 2019 and beyond.

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

Principal risks and Brexit

The uncertain outcome of negotiations following the UK's Referendum on EU membership in June 2016 has introduced a degree of uncertainty which could give rise to longer-term macroeconomic changes (Risk 1). As noted within our Principal risks and uncertainties disclosure, negative macroeconomic changes could reduce demand for the Group's products.

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

The Group's sales are predominantly to UK based customers and the majority of the Group's supplies are sourced from within the UK (Risk 7). Where suppliers are based overseas, or the goods we purchase from UK suppliers have themselves some component sourced from outside the UK, we have contacted the suppliers to discuss their plans following Brexit.

As a result, some suppliers have agreed to lay-down additional stock in the UK whilst other suppliers have provided reassurances that they will ensure continuity of supply.

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

We have also liaised with our primary haulage providers to ensure they have suitable contingency plans in place, which will help maintain our high standards of customer service in the event of wider transport disruption issues (Risks 4 and 5).

The vast majority of the Group's employees are UK citizens, which reduces the risk of shortages of labour as a result of Brexit, although we continue to focus on employee engagement to retain our workforce (Risk 6).

1. Economic conditions

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

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

Link to strategy

1 2 3

Mitigation

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.

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.

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

Our responses to possible Brexit implications are noted within the "Principal risks and Brexit" summary.

2. Government action and policy

The Group has an exposure to UK political developments. Material reductions in Government spending, or changes in Government policy relating to housebuilding, could have a material effect on demand for the Group's products – reducing sales and affecting the Group's financial results.

Link to strategy

1 3

Mitigation

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.

The major political parties each included favourable housing policies within their most recent Election manifestos. This positive policy environment has been further supported by announcements following the election – including: the announcement of new financial support for house building; the new Help to Buy Equity loan scheme which will run from April 2021; the abolition of stamp duty on homes under £300,000 for first time buyers; and government investment in teaching construction skills such as bricklaying – all announced in the Autumn Statement 2017 or Budget 2018. These measures, in addition to the existing National Planning Policy Framework ("NPPF") and Help to Buy scheme, show the Government's ongoing commitment to house building. However, the Group recognises the risk which can result from political changes or economic uncertainty.

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.

Movement of risk

- Increase
- Decrease
- No change

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

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

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

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

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, together with any associated negative reputational damage.

Link to strategy

1 2

Mitigation

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

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

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

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

The Group currently complies with existing legislative requirements and actively monitors for any legislative changes with which it may need to comply.

4. Customer relationships and reputation

The Group receives a significant portion of its revenue from key customers and the loss of any such customer through our failure to evolve effectively and meet the changing needs of our customers could result in a significant loss of revenue and cash flow.

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

Link to strategy

1 2

Mitigation

The Group has a service-led ethos with many top customer relationships lasting over 40 years. The Group'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.

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

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

The Group depends on efficient and uninterrupted operations of its information and communication technology, and any disruption to 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.

Link to strategy

1 2

Mitigation

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

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

Management do not underestimate the potential impact that future prolonged periods of bad weather could have.

Weather conditions are beyond the Group's control, although historically adverse weather has not impacted trading in the context of any full year.

The Group's wide geographical spread mitigates this risk to some extent and 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.

Link to strategy

1 3

Mitigation

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.

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

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

Link to strategy

1 3

Mitigation

Significant input costs are under constant review, with continuous monitoring of raw material costs, energy prices and haulage expenses, with the aim of achieving the best possible prices and assuring stability of supply. With regards to possible energy shortages, the Group operates a hedging strategy to mitigate the impact of sudden price increases.

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.

8. Product quality

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

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

Link to strategy

1 2 3

Mitigation

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

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

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

9. Financial risk management

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

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

Link to strategy

1 3

Mitigation

- **Foreign exchange risk:** The Group undertakes limited foreign exchange transactions 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. At 31 December 2018, the Group holds banking facilities of £213 million, as set out in Note 19 of the Group financial statements.
- **Interest rate risk:** The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's bank borrowings, other facilities and deposits are in Sterling and at floating rates. No interest rate derivative contracts have been entered into during the year or at the year end.

10. Pension obligations

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.

Link to strategy

1 2

Mitigation

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 Ibstock defined benefit scheme was closed to future accrual in February 2017 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, which is operated to provide appropriate security and achieve an appropriate balance between risk and return, was subject to review and an updated policy has been developed to ensure that investments follow a reducing risk profile in light of the scheme changes.

11. Cyber security

High-profile attacks on companies across a number of industry sectors (including one of our own major customers) have highlighted the damage that can now be caused by hackers and cyber terrorists. 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.

Link to strategy

1 2

Mitigation

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

The fundamentals for our business remain robust, with a widely recognised need for new housebuilding. The extension of the help-to-buy scheme and low interest rates support the demand for new homes.

Overall Group performance

On a continuing basis, revenues for the Group increased 8% to £391 million reflecting good price and volume growth in the clay brick business. Adjusted EBITDA[1] increased by 4% to £112 million, with higher than expected energy costs and the impact of the enhanced maintenance programme in the clay brick business, along with increased central PLC costs offsetting some of the revenue growth from which we benefited. As a result, adjusted EPS was broadly flat at 18.8 pence, on a continuing basis.

Performance (on a continuing basis)

Revenue +8%

£391m

Profit before tax +19%

£93m

Adjusted EBITDA[1] +4%

£112m

Adjusted EPS[1] +0%

18.8p

Despite the positive market backdrop, 2018 presented some challenges for the UK business. Bad weather in the winter months at the start of the year reduced activity levels for a period and the unexpected increase in spot energy prices as we entered the spring and summer months provided a further headwind. However, conditions improved in the second half of the year and we benefited from increased production capacity from our new Eclipse clay brick factory.

The commissioning of Eclipse, our new 100 million capacity clay brick plant progressed as planned. The plant contributed to the volume growth we saw during 2018 and allowed us to increase our market share in the second half of the year. We continue to broaden the range of products we can manufacture at the site, to service the diverse needs of our customers.

Demand for bricks continued to be very robust in 2018. Overall, the market consumed c.2.5 billion bricks in the year, the highest level of consumption since 2007, with 2.1 billion being supplied by domestic production or from existing inventories. The level of imports increased further year on year to over 0.4 billion bricks, despite the fact production and despatches from domestic producers increased by 0.1 billion in 2018. Inventory levels also declined slightly as a further 0.1 billion bricks were supplied out of existing stocks across the industry.

Revenues in our concrete business were broadly flat on the prior year due to a slight softening in the rail and civils markets. On the positive side, we continue to see a gradual increase in market share in concrete roof tiles, reflecting our innovative product portfolio, which offer improved aesthetics and reduced laying costs. Late in 2018 we took the decision to reorganise our concrete business, simplifying the management structure under a single managing director. We expect these changes to improve the performance of what is an important platform for driving growth for Ibstock going forward.

Continuing Adjusted EBITDA increased by 4% as higher than expected energy costs, primarily higher gas prices, and costs associated with the enhanced maintenance programme in our clay brick operations partly offset some of the good revenue growth we saw in the year. Looking forward, we have increased our forward buying of energy to give greater visibility on these costs over the next year or so.

Unallocated costs of £4 million (2017: £3 million) include expenses related to operating the plc operations of the Group. These costs increased year-on-year primarily as a result of the higher employment related expenses incurred during 2018.

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

Linking innovation to a real need
MechSlip was developed in direct response to the evolving needs of the construction market. It is widely viewed as a genuine brick innovation – allowing architects and specifiers to use real brick slips with the inspired efficiency and versatility of a mechanically fixed lightweight cladding system.


THE ROYAL

Location: The Royals, Lancashire
Product: Marlborough Stock, Weston Red and Leicester Red Bricks and Ibstock Kevington Special Shapes.

Outlook

During 2018, UK brick demand continued to outstrip domestic supply capacity which resulted in over 0.4 billion imported bricks entering the UK market and further de-stocking from UK manufacturers. We were able to take advantage of this robust market environment with increased volumes from our new Eclipse facility, and further benefit to come in 2019 as the first full year of production.

Whilst the political and economic uncertainty from the UK's withdrawal from the EU is unhelpful, and may impact consumer confidence and demand in our end markets in the short term, we believe the fundamentals remain favourable in the medium-term.

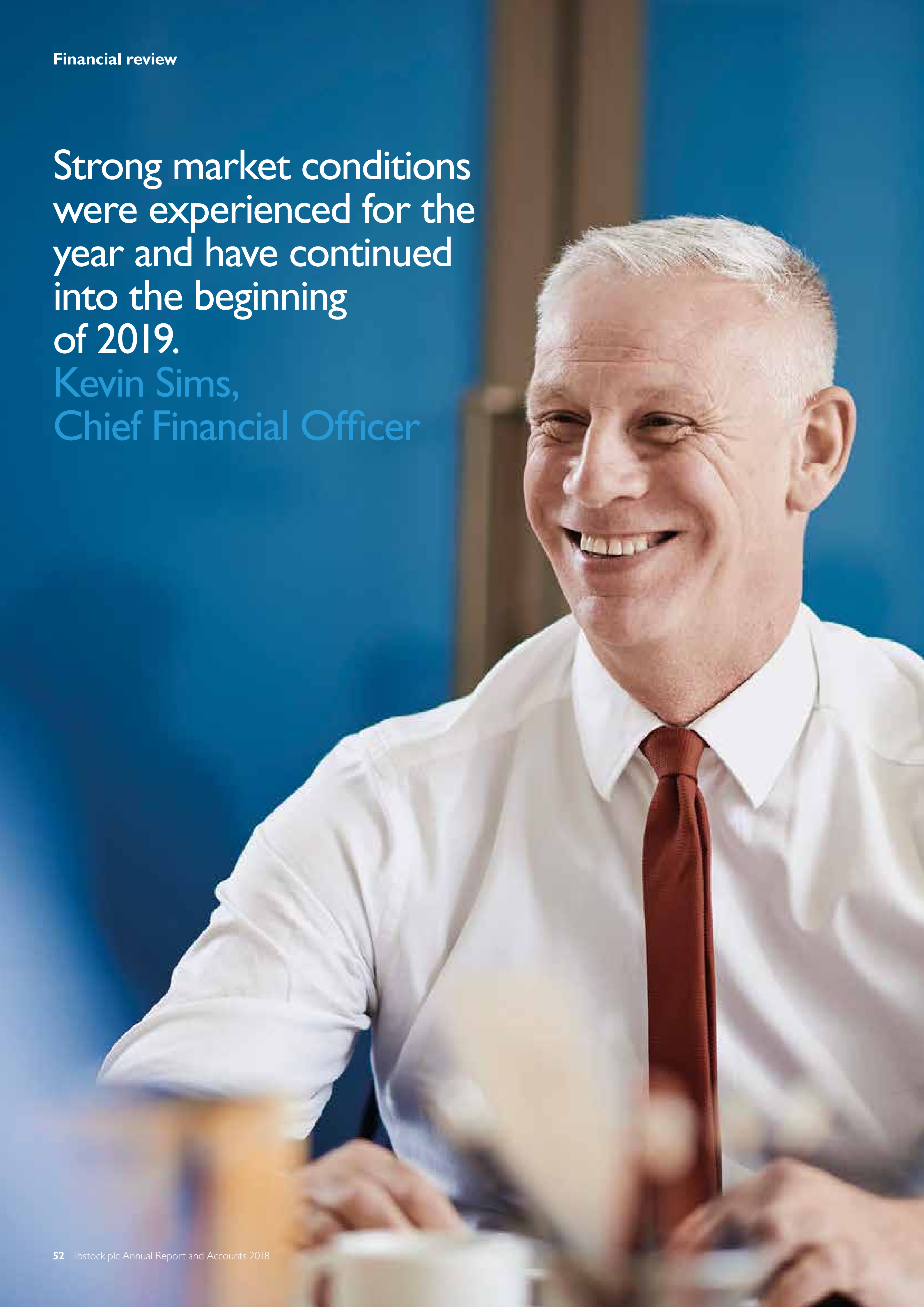
The need for new housing is widely recognised by the main political parties and the Help-to-buy scheme has been extended until 2023. Interest rates remain low and mortgage availability is good, all of which supports affordability and suggests that market fundamentals remain robust. Therefore, we would hope to see good demand for our products over the medium-term.

We have a solid core business with strong market positioning, focused on the UK. This provides a good platform for growth, and we hope to deliver further value creation in the coming years from our operational and commercial excellence programmes. With a strong balance sheet, we also have optionality to invest to drive further growth, both organically and through M&A.

Notwithstanding the current uncertainties in the UK, we see our business as well positioned to deliver further progress in the years to come.

Customer demand in our UK clay and concrete markets remains encouraging, with the full benefit of the investments we have made still to come.

Find out more
To see our comprehensive range of products go to **www.ibstockplc.com**



Strong market conditions were experienced for the year and have continued into the beginning of 2019.

Kevin Sims,
Chief Financial Officer

Group results

Group revenue from continuing operations in the year ended 31 December 2018 saw an increase of 7.9% to £391.4 million (2017: £362.6 million). Continuing Group revenue excludes the performance of our US operations, which were disposed of in November 2018, as discussed below. Growth in revenue was driven by the performance of our UK clay business, which benefited from good activity levels within the new build housing sector during 2018. Following a slower, weather-impacted start to the year, we saw increased sales volumes and ended the year with higher volumes year on year. Strong market conditions were experienced for the year ended 31 December 2018 and have continued into the beginning of 2019. UK Clay sales growth was supported by mid-single digit price increases, whilst revenue performance within UK Concrete was very marginally ahead year on year.

Group statutory profit before taxation was £92.5 million (2017: £77.7 million) – an increase of 19.1%. This increase reflects the exceptional profits on disposal of surplus properties arising in the current year (£9.5 million). Prior to exceptional items, profit before taxation was £84.5 million (2017: £82.5 million), representing growth of 2.4% on the prior year.

Disposal of US brick manufacturing business

As noted elsewhere, in November 2018, we successfully completed the disposal of our US segment for an enterprise value of $110 million, equating to over eight times Glen-Gery's last 12 months Adjusted EBITDA to June 2018, as reported. As a consequence of the disposal, our results exclude the trading performance of the Glen-Gery operations and represent the continuing UK businesses only. The trading results of Glen-Gery up to the point of sale, together with details of the disposal transaction are set out in Note 11 of the financial statements.

Alternative performance measures

This results statement contains multiple alternative performance measures ("APMs"). A description of each APM is included in Note 3 to the financial statements. The Group uses APMs to aid comparability of its performance and position between periods. The APMs represent measures used by management and Board to monitor performance and plan. Additionally, certain APMs are used by the Group in setting director and management remuneration. Whilst measures have been restated to take account of the discontinuation of our US operations, during 2018 there have been no changes to the bases of calculation with those presented in our 2017 Annual Report and Accounts.

Adjusted EBITDA[1]

Management measure the Group's operating performance using Adjusted EBITDA, which has remained in line with management's expectations following the Group's July trading statement. For the continuing operations, Adjusted EBITDA increased by 4.1% to £112.4 million in the year ended 31 December 2018 (2017: £107.9 million). The increase was driven by the Group's revenue growth in the UK Clay business, and was achieved despite significantly higher energy costs experienced, which were flagged in our AGM trading update announcement in May 2018. For the full year, our gas energy costs increased by c.22% compared to 2017. We have subsequently sought to forward purchase our energy requirements for 2019, securing the majority of our anticipated needs.

The Group's Adjusted EBITDA performance was also adversely impacted by a slower RMI market, which has constrained revenue growth within UK Concrete. The UK Concrete businesses also faced some pricing pressure and a slight fall in the end use of non-residential products, which impacted revenue in our Supreme and Forticrete operations, respectively, and restricted the UK business from greater Adjusted EBITDA growth during the year.

Cash flow and net debt

Cash generated from operations during 2018 is shown in Table 1, below. Our cash generation was in line with our expectations and operations remained strongly cash generative in the year ended 31 December 2018. Adjusted free cash flow[1] increased due to our profitability growth and reduced expenditure on major capital projects although this was mitigated to some extent by movements in working capital during the year. Although assisted by exceptional profits on disposal of surplus properties, cash conversion[1] fell to 87% in the year ended 31 December 2018, primarily as a result of increased maintenance capex and adverse working capital movements.

Table 1: Cash flow (non-statutory)

	2018 £'m	2017 £'m	Change £'m
Adjusted EBITDA[1]	**112**	108	+4
Share based payments	**2**	1	+1
Exceptional profits on disposal of surplus assets	**13**	–	+13
Capex before major projects[2]	**(20)**	(11)	(9)
Adjusted change in working capital ("WC")	**(7)**	2	(9)
Other	**(3)**	–	(3)
Adjusted EBITDA less maintenance capex change in WC	**97**	100	(3)
Cash conversion	**87%**	93%	
Major project capex[2]	**(11)**	(23)	+12
Cash flow from operating and investing activities	**86**	77	+9
Net interest	**(4)**	(4)	–
Tax	**(10)**	(11)	+1
Post-employment benefits	**(7)**	(7)	–
Adjusted free cash flow	**65**	55	+10

1 Alternative Performance Measures are described in Note 3 to the financial statements.
2 Capex on major projects is that capex relating to strategic projects in Leicester, Leighton Buzzard and Cannock.

The increase in maintenance capex follows the Group's review of brick manufacturing assets which identified a number of measures required to sustain the quality and range of our production output, as identified in our July 2018 trading update. The review has resulted in additional maintenance shutdowns and additional spending on plant maintenance and refurbishment, all aimed at maintaining our number one position. To date these actions have been successful and continue to progress to plan.

A net working capital balance at 31 December 2018 of £23.3 million compares to £48.2 million at 31 December 2017. This reflects the absence of Glen-Gery balances, which remained high going into the prior year end following the usual closedown of operations and in anticipation of sales activity early in the New Year in advance of factory start-ups. Trade receivable levels year on year increased due to the higher sales activity in late-2018 as a result of Clay sales being back-end loaded following the weather-impacted H1 2018. These increases are offset to some extent by an increase in trade payables, which has arisen as a result of the increased activity in the final months of 2018.

Net debt[1] (borrowings less cash) of £48.4 million at 31 December 2018 compares to £117.0 million at the prior year end. The significantly improved debt position is as a result of the proceeds from the Group's disposal of Glen-Gery, noted above and was achieved despite the Group's payment of increased dividends of £65.0 million in the year ended 31 December 2018 (2017: £32.1 million).

In March 2017, the Group refinanced its debt arrangements and entered into a £250 million revolving credit facility ("RCF") with a group of six major banks. During 2018, following our disposal of the Glen-Gery business, the US Fifth Third Bank withdrew from the facility, reducing the RCF to £213.5 million. The facility contains interest cover and leverage covenant limits of 4x and 3x, respectively. The Group remains significantly within both covenant limits. See Table 2 below.

Exceptional items

In line with our accounting policy for exceptional items, we have excluded certain items from our Adjusted EBITDA to aid shareholders' understanding of our underlying financial performance. Infrequent events, such as the material profits on disposal of surplus property assets in the current year and the non-cash interest expenses arising in the prior year from our refinancing (see below), have been treated as exceptional. Further details are set out in Note 5 of the financial statements.

Finance costs

Net finance costs of £3.5 million were incurred in the year (2017: £10.8 million). The current year cost represents the reduced interest costs associated with the Group's debt, which remained below prior year levels throughout 2018.

The single largest element of the prior year charge, which did not recur in the current year, were exceptional finance costs of £6.4 million arising in respect of accelerated debt issue fees and accounting adjustments resulting from the refinancing and prior year interest rate change, respectively.

Table 2: Covenant compliance

Covenant	Definition	Requirement	Position at 31 December 2018
Consolidated net debt	Ratio of consolidated net debt to consolidated adjusted EBITDA	< 3 : 1	**0.4:1**
Interest cover	Ratio of consolidated adjusted EBITDA to consolidated interest expense	> 4 : 1	**35:1**

Taxation

The Group recorded a taxation charge of £16.1 million (2017: £12.6 million) on Group continuing pre-tax profits of £92.5 million (2017: £77.7 million) for the year ended 31 December 2018, resulting in an effective tax rate ("ETR") of 17.4% (2017 16.2%). The ETR is lower than the UK statutory tax rate of 19% and 19.25% for the current and prior year, respectively as shown in Note 10. In particular, a deferred tax credit has been recognised in the current year to reflect the expected unwinding of the pension scheme surplus, reducing the ETR by 1.6%. In the prior year, the recognition of the tax benefit claimed in respect of the IPO transaction costs incurred during 2015 decreased the ETR by 2.7%. Absent these items, the ETR would have been 19% and 18.9% respectively.

The disposal of the Group's US segment during the year was tax exempt.

Earnings per share

Group statutory basic EPS for continuing operations increased by 17% to 18.8 pence in the year to 31 December 2018 (2017: 16.0 pence) as a result of the Group's increased statutory profit after taxation, which was boosted by the net £8.0 million exceptional credit arising on the Group's surplus property disposals and other exceptional items, as discussed above.

Our Group adjusted basic EPS[1] for continuing operations of 18.8 pence per share reduced marginally from the 18.9 pence reported last year – the movement resulting from the slightly higher ETR in the current year. In line with prior years, our Adjusted EPS metric removes the impact of exceptional non-trading items, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts (net of the related taxation charge/credit). Adjusted EPS is the Group's measure for calculating distributions to shareholders, see below, and has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our Adjusted EPS measure is included in Note 12.

Table 3: Earnings per share

	2018	2017
Statutory basic EPS – Continuing operations	**18.8**	16.0
Adjusted basic EPS – Continuing operations	**18.8**	18.9

Dividend
A final dividend of 6.5 pence per ordinary share (2017: 6.5 pence) is being recommended for payment on 7 June 2019 to shareholders on the register at the close of business on 10 May 2019. This is in addition to our interim dividend paid in September 2018 of 3.0 pence per ordinary share (2017: 2.6 pence), which was paid alongside our first ever supplementary dividend of 6.5 pence per ordinary share. The total dividends paid during 2018 of 16.0 pence per ordinary share were 76% higher than the prior year (2017: 9.1 pence).

The proposed dividend is in line with our dividend policy, which is based on a pay-out ratio of 40 to 50% of adjusted profit after taxation over a business cycle. In 2018, the Directors have selected a 45% pay-out ratio in determining the proposed dividend (2017: 42.5%) based on the total Group adjusted EPS, which includes 0.8 pence per ordinary share in relation to results of the disposed Glen-Gery operations.

Pensions
At 31 December 2018, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £80.7 million (31 December 2017: surplus of £46.1 million).

At the year end, the scheme had asset levels of £574.4 million (31 December 2017: £659.4 million) against scheme liabilities of £493.7 million (31 December 2017: £613.4 million). Liabilities include an amount of £1.5 million in relation to the GMP equalisation liability, which was recognised it the current year.

The improvement in the underlying scheme balance sheet position in the year is primarily due to the use of updated membership data available from the scheme's actuarial valuation as at 30 November 2017 and changes in assumptions used. The fall in liabilities also reflects the significant values transferred out of the scheme by members following the closure of the scheme to future accrual.

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

Related party transactions
Related party transactions are disclosed in Note 30 to the consolidated financial statements. During the prior year, Bain Capital Partners LLC ceased to hold any ordinary shares in Ibstock plc and no longer has significant influence over the Group. There have been no material related party transactions during the year ended 31 December 2018.

Subsequent events
With the exception of the final dividend noted above, there have been no further events subsequent to 31 December 2018, which management believe require adjustment or disclosure.

Going concern
The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows generated by the business and the long-term funding in place. As noted above, the Group agreed new banking facilities during the prior year, with a five-year £250 million RCF. As noted above, during 2018, following our disposal of the Glen-Gery business, the US Fifth Third Bank withdrew from the RCF, reducing this facility to £213.5 million.

Risks and uncertainties
The Board assesses and monitors the key risks impacting the business on an ongoing basis. The Group's activities expose it to a variety of risks: economic conditions, Government action and policy, Government regulation and standards relating to the manufacture and use of building products, customer relationships and reputation, operational disruption, recruitment and retention of key personnel, input prices, product quality, financial risk management and pension obligations.

The Group's risk management approach together with these principal risks and mitigating actions are set out on pages 42 to 47.

Kevin Sims
Chief Financial Officer

4 March 2019

Strategic Report
The Strategic Report on pages 1 to 56 was reviewed and approved by the Board on 4 March 2019.

Joe Hudson
Chief Executive Officer

Kevin Sims
Chief Financial Officer

Viability statement

Background

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

Assessment

Management's viability exercise, reviewed by the Audit Committee on behalf of the Board, has informed the Directors' assessment of the longer-term viability of the business, as part of the year-end review for the preparation of this Annual Report and Accounts, has robustly assessed the business model, strategy, market conditions, business planning, risks and the liquidity and solvency of the Group. The Group has leading positions within the markets in which it operates, as noted on pages 18 and 19, and its strategy (see page 22) is aimed at continuing to strengthen its position in those markets and create value for its shareholders.

The Group's operations (see pages 1 to 11) expose it to a number of risks and the Group's principal risks and uncertainties are noted on pages 42 to 47. 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 47.

Lookout period

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

Based on the evidence available, the Directors believe that it is reasonable to expect continued growth, and consider that a three-year period provides the most appropriate horizon over which to assess viability. The Directors have also considered the financing the Group has in place, which is agreed for a period in excess of the lookout period used. Refinancing is therefore not considered a significant factor in this current assessment, but debt leverage compliance and the Group's cash requirements are monitored on a continuous basis.

Stress testing

During the challenging market conditions of the last major recession, the Group performed well, remaining cash positive and implementing a number of mitigating actions that allowed it to remain viable. Such mitigating actions remain available to the Directors today. The Group's viability modelling has stress tested the budget in the following scenarios both individually and in combination:

Assumptions

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

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

Scenario	Link to principal risk and uncertainty (pages 42 to 47)
An economic downturn	
The impact of a severe and prolonged reduction in demand for its products on the basis of reduced house building activity or unexpected changes to Government policy resulting in reduced volume of product sold, as well as a benign environment of prolonged price stagnation on sales.	– Economic conditions – Government action and policy
Production cost increases	
A situation whereby the cost of production increases as a result of input cost rises across the Group or additional regulatory costs imposing additional expenditure within the production process, which the Group is unable to pass on to its customers.	– Input costs – Government regulation and standards relating to the manufacture and use of building products
Disruption in business activities	
The impact of an event, such as prolonged bad weather, a cyber-attack or other unanticipated event, which prevents production at one or more of the Group's facilities and prevents customer demand being met.	– Business disruption – Cyber security
Reputational damage	
A scenario whereby the Group's reputation is damaged, as a result of customer relationship breakdown, significant employee disengagement or product quality issues, resulting in a sudden reduction in sales activity.	– Customer relationships and reputation – Recruitment and retention of key personnel – Product quality

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.

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 56. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the Financial Review on pages 52 to 55. 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.

Corporate governance

Location: Commercial Road,
Bournemouth.
Product: Cast stone in bath colour.

Chairman's introduction

Jonathan Nicholls
Non-Executive Chairman

Dear Shareholder

I am pleased to present my first Corporate Governance statement to our shareholders since my appointment as Chairman of your Board in May 2018. Good governance can only be achieved with an appropriate level of oversight, good communication, a focus on the management of risks, a commitment to transparency, and by ensuring a culture of continuous improvement in standards and performance across the business. As Chairman, it is my responsibility to ensure that your Board operates both effectively and efficiently, upholding the high standards of Corporate Governance required for the long-term success of the Group.

Your Board is responsible for the governance of the Group and we recognise the importance of Corporate Governance in assisting the Group to deliver long-term success for our shareholders and other stakeholders. It is your Board's view that, throughout 2018, the Company applied the Main Principles and complied with the relevant provisions of the UK Corporate Governance Code 2016 (the "Code") in all material respects. In this Corporate Governance section we shall report on how we have applied the Code. We also describe the effective leadership of your Board and how we endeavour to promote the highest standards of Corporate Governance throughout the Group.

Your Board manages the Company in a transparent, open and honest manner. We are 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 having regard to social, environmental and ethical matters; and for taking account of the interests of our other stakeholders. We approve the Group's governance framework, taking into account contributions from your Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. On a regular basis, your Board reviews our level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and sustainability matters. This process will continue to adapt to meet the evolving needs of the Group. We aim 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.

On 16 July 2018 the FRC published the 2018 UK Corporate Governance Code (the "2018 Code") which puts the relationships between companies, shareholders and other stakeholders at the heart of long-term sustainable growth in the UK economy. I have been working with your Board on the appropriate implementation of the recommendations of the 2018 Code. We shall be reporting fully upon our application of the 2018 Code in the Annual Report and Accounts to be published next year.

Wayne Sheppard retired from the Board on 4 April 2018 and was succeeded as CEO on that date by Joe Hudson. Joe had joined the Board on 2 January 2018 as CEO Designate. On behalf of the Board, I should like to thank Wayne for his immense contribution to Ibstock and his efforts to ensure a smooth transition process.

Jamie Pike stepped down as Chairman and a Director of Ibstock at the conclusion of the Company's AGM on 24 May 2018. As part of its long-term succession planning arrangements, I was appointed Chairman of the Board on that date. I should like to thank Jamie for his significant contribution to the Group since the time of the IPO.

Following my appointment as Chairman, Tracey Graham was appointed as the Senior Independent Director, in addition to her role as Chair of the Remuneration Committee, and Justin Read became Chair of the Audit Committee.

On 2 May 2018 the Board announced the appointment of Louis Eperjesi and Claire Hawkings as independent Non-Executive Directors of the Company. Louis Eperjesi is the Chief Executive Officer of Tyman plc. He was appointed to the Board on 1 June 2018 and, upon appointment, joined the Board's Remuneration Committee, Audit Committee and Nomination Committee. Claire Hawkings is a member of the Executive Committee of Tullow Oil plc, where she is Executive Vice President, Organisation Strategy and Company Performance. Claire was appointed to the Board on 1 September 2018 and, upon appointment, joined the Board's Remuneration Committee, Audit Committee and Nomination Committee.

As announced on 6 February 2019, Kevin Sims will retire from the Board in 2019. Kevin played an extremely important role in Ibstock's successful listing on the London Stock Exchange in October 2015 and the Group's subsequent continued development. He will be succeeded as CFO by Chris McLeish, who will join the Board in August 2019. On behalf of the Board, I should like to thank Kevin for the significant contribution he has made to the Group.

Jonathan Nicholls
Non-Executive Chairman

4 March 2019

Governance in action

As discussed in the CEO's Report on page 14, the Group's strategy has been revised and the new strategic priorities are Driving sustainable performance, Market-led innovation and Selective growth. We shall report on our progress in these areas in next year's report. In this year's report we shall be discussing the progress made against the strategic priorities in place at the beginning of the year under review.

Strategic priority	The Board's governance role	Achievements in 2018
Strategy	The Board is responsible for setting the Group's strategy and for the review of subsequent delivery and progress. Further information may be found in the Financial Review on pages 52 to 55.	– Conducted a strategic review of the Group's US operations. – Completed the disposal of Glen-Gery in November 2018. – Paid a Supplementary dividend.
Safety Continuing to focus on a safe working environment, systems and behaviours that have the development of employees and customer service at their core.	The Board oversees the framework within which the Group manages Health and Safety, and environmental risks. Further information may be found in Resources and relationships on page 32 to 41.	– Oversaw a reduction in the number of Lost Time Accidents. – Led the culture of visible leadership on safety matters, with regular site visits by members of the Board and the Executive Leadership Team. – Encouraged management to communicate lessons learned from safety and environmental incidents effectively.
Invest To maintain existing capacity and invest in new capacity to optimise output and take advantage of structural imbalances in the Group's markets.	The Board reviews and approves the Group's annual operating and capital expenditure budget. Further information may be found Resources and relationships on pages 32 to 41.	During the year the Board oversaw the successful delivery of a number of capital projects across the Group: – Eclipse soft mud brick factory, Leicester – Lodge Lane blue brick factory, Cannock
Innovate To support our customers through the development of innovative products.	The Board oversees and encourages the Group's development of innovative products and ways of doing business. Further information may be found in Resources and relationships on pages 32 to 41.	– Award-winning products as recognised at the Brick Development Association's annual Brick Awards. – Ibstock Kevington's MechSlip brick slip cladding system, which was developed in conjunction with a specialist in metal fabrication and cladding.

Board statements

The Company was subject to the UK Corporate Governance Code 2016 (the "Code") in the financial year under review. The Code is publicly available on the Financial Reporting Council website at www.frc.org.uk.

The Board is required to make a number of specific statements on certain governance matters. These statements are set out in the following table:

Requirement	Board statement	Where to find further information
Compliance with the Code	It is the Board's view that, throughout 2018, the Company applied the Main Principles and complied with the relevant Provisions of the Code in all material respects.	Application of the Main Principles of the Code on pages 61 and 62. Pages 75 and 63 include an explanation of how we applied Code Provisions C.3.1 and E.1.1, respectively, through a time of transition for the Board.
Going concern basis	The Directors have made a Going Concern statement that can be found on page 56.	Financial review on pages 52 to 55. Strategic Report on pages 1 to 56. Principal risks and uncertainties on pages 42 to 47. Going concern in the Audit Committee Report on page 79.
Viability statement	The Directors have made a Viability statement that can be found on page 56.	Principal risks and uncertainties on pages 42 to 47. Internal controls and Risk Management in Audit Committee Report on page 79.
Robust assessment of the principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors also assessed, with the support of the Audit Committee, their appetite with respect to these risks and considered the systems required to mitigate and manage them.	Principal risks and uncertainties on pages 42 to 47. Assessment of principal risks in Accountability on pages 73 and 74.
Annual review of systems of risk management and internal control	During the 2018 financial year, the Board monitored the Group's systems of risk management and internal control with the support of the Audit Committee and carried out a review of their effectiveness. The conclusion was that these systems were effective. During the year KPMG were engaged to undertake a detailed review of the Group's risk management approach, which included an assessment of the Group's attitude to risk at both a strategic and operational level.	Systems of risk management and internal control – Effectiveness review in the Audit Committee Report on page 77.
Fair, balanced and understandable	The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.	"Fair, balanced and understandable review" in the Audit Committee Report on page 79.

Application of the Main Principles of the 2016 Code

During the 2018 financial year, the Company continued to apply the Main Principles of the 2016 Code, as follows, while also working towards implementation of the UK Corporate Governance Code 2018 (the "2018 Code"):

A. Leadership

A.1 The role of the Board

The Board acknowledges that a successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Board met formally on 10 occasions during the year.

There is a clear schedule of matters reserved for the Board, which can be found on the Company's corporate website, at www.ibstockplc.com/investors/corporate-governance.

The Company maintains, at its expense, a Directors' and Officers' liability insurance policy for the benefit of Group personnel including, as recommended by the 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 law in respect of liabilities incurred whilst in office. The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly.

A.2 Division of responsibilities

The roles of the Chairman and Chief Executive are clearly defined. The Chairman is responsible for the leadership and effectiveness of the Board. The Chief Executive is responsible for leading the day to day management of the Group within the strategy set by the Board. Details of the division of responsibilities between the Chairman and the Chief Executive can be found on the Company's corporate website, at www.ibstockplc.com/investors/corporate-governance. Terms of reference for the Board's principal committees can be found at Company's corporate website, at www.ibstockplc.com/investors/corporate-governance.

The Board comprises an appropriate combination of executive and independent Non-Executive Directors. Accordingly, no one individual or small group of individuals dominates the Board's decision-making processes.

A.3 The Chairman

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

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. The Chairman has demonstrated objective judgement throughout his tenure and promotes a culture of openness and debate. Furthermore, he facilitates constructive Board relations, the effective contribution of all Non-Executive Directors, and ensures that Directors receive timely, accurate and clear information.

A.4 Non-Executive Directors

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors to express their views. The Non-Executive Directors provide objective, rigorous and constructive challenge to management and hold meetings at which the Executive Directors are not present.

Tracey Graham was appointed by the Board as Senior Independent Director following the AGM on 24 May 2018.

Mrs Graham is available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. Non-Executive Directors have sufficient time to meet their Board responsibilities. They provide constructive challenge, strategic guidance, offer specialist advice and hold management to account as and when required.

B. Effectiveness

B.1 The composition of the Board

The Nomination Committee is responsible for regularly reviewing the composition of the Board. In recommending appointments to the Board, the Nomination Committee considers the range of skills, knowledge and experience required, taking into account the benefits of diversity on the Board, including gender.

The Board and its Committees benefit from a combination of skills, experience and knowledge drawn from across several industries and functional roles.

B.2 Appointments to the Board

The appointment of new Directors is led by the Nomination Committee. Further details of the activities of the Nomination Committee during the year can be found on pages 71 and 72.

Appointments to the Board are made on merit and measured against objective criteria set with regard to the benefits of a diversified Board. The appointments process is a formal, rigorous and transparent procedure. Effective succession plans are maintained for Board and senior management. Both appointments and succession plans are based on merit and objective criteria and are intended to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

B.3 Commitment

On appointment, Directors are notified of the time commitment expected from them which, in practice, goes beyond that set out in their letter of appointment. Permission must be sought from the Chairman before other external directorships, which may affect existing time commitments, are accepted.

Non-Executive Directors are expected to provide a time commitment to the Company of at least 25 days per year, and to recognise the need for availability in the event of a crisis.

B.4 Development

All new Directors receive a tailored induction programme upon joining the Board. Training is made available to members of the Board in accordance with their requirements. Please see page 70 for details of the induction programmes conducted for Joe Hudson, Louis Eperjesi and Claire Hawkings.

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.

B.5 Information and support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

The Directors of all Group companies, as well as the Board, have access to the advice and services of the Company Secretary. Independent external legal and professional advice can also be taken when necessary to do so. Furthermore, each Committee of the Board has access to sufficient and tailored resources to carry out its duties.

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

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

B.6 Evaluation

During the 2018 financial year, the Board undertook an evaluation of its own performance and that of its Committees. Details of the evaluation can be found on page 70.

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

B.7 Re-election

All Directors are subject to annual election or re-election by shareholders. The names of Directors submitted for election or re-election, accompanied by sufficient biographical details and any other relevant information, are provided to shareholders to enable them to take an informed decision on their election.

C. Accountability

C.1 Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 1 to 56, provides information about the Group's performance, the Group's business model, the Group's strategy and the risks and uncertainties relating to the Group's future prospects.

C.2 Risk management and internal control

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

The Board ensures that the necessary resources are in place for the Company to meet its objectives and to measure performance against them. The Board has established a framework of prudent and effective controls, which enable risk to be assessed and managed. For further discussion see Accountability on pages 73 and 74.

C.3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee. Information on Audit Committee composition, together with the principal activities carried out by the Audit Committee during the year, are included in the report presented by the Audit Committee Chair on pages 75 to 80.

The Board has established formal and transparent arrangements for considering how it applies the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Board has implemented formal and transparent policies and procedures to enable the Board to ensure the independence and effectiveness of internal and external audit functions and satisfy itself as to the integrity of financial and narrative statements.

D. Remuneration

D.1 The levels and components of remuneration

The Remuneration Committee sets the framework, policy and levels of remuneration which are designed to promote the long-term success of the Group. Remuneration is structured so as to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

Executive Directors' remuneration is designed to promote the long-term success of the Company. Performance-related elements should be transparent, stretching and rigorously applied. Remuneration policies and practices are designed to support strategy and promote long-term sustainable success of the Group. Executive remuneration is aligned to Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy.

D.2 Procedure

The Remuneration Committee makes recommendations to the Board on the remuneration of Executive Directors, the Chairman and senior executives.

Details of the activities of the Remuneration Committee can be found in the Directors' Remuneration Report on pages 81 to 107.

The Board has a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration packages of individual Directors and members of the senior management team. No Director is involved in deciding his or her own remuneration.

The Board exercises independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, benchmarking and wider circumstances.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed about shareholders' views. This is discussed further in "Relations with shareholders and other stakeholders" on page 63.

In order for the Company to meet its responsibilities to shareholders and other stakeholders, the Board ensures that it has effective engagement with, and encourages participation from, all key stakeholders.

E.2 Constructive use of the General Meetings

The Annual General Meeting ("AGM") provides the Board with an important opportunity to communicate with shareholders, who are invited to meet the Board following the formal business of the meeting.

Share Dealing Code

The Company has adopted a code of securities dealing in relation to the Ordinary Shares. The code applies to Directors, Persons Discharging Managerial Responsibilities and relevant employees of the Group.

Highlights

Executive Directors engaged with shareholders throughout the year

Received commendations from our customers in recognition of the support and services we provide to them

Workforce and local community invited to celebrate the opening of the new Eclipse brick factory in Ibstock

Shareholders

The Board recognises the importance of creating a clear flow of communication between it and all shareholders, particularly with regard to business developments and financial results. The Board aims to communicate on a regular basis and at present the Company utilises news releases, investor presentations and Company publications, and will expand communication channels as appropriate.

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

Tracey Graham is the Senior Independent Director (the "SID"). Tracey assumed this role on 24 May 2018, when Jonathan Nicholls (who was the SID until this date) became Chairman of the Board. The SID is available to shareholders throughout the year if they have concerns that contact through the normal channels of the Chairman, Chief Executive Officer or other Executive Directors has failed to resolve or for which such contact is inappropriate. In 2018, the SID received updates from the Executive Directors, who met with major shareholders following announcement of the full year and interim results, on the issues and concerns raised at those meetings. Tracey and Jonathan both attended the AGM on 24 May 2018, where they met shareholders and answered their questions. Shareholders have the opportunity to raise any issues they wish with the Chairman or the SID.

The Board is working with the Company's Director of Investor Relations (who joined us in September 2018) on a programme of engagement with major shareholders for 2019, taking account of the recommendations in the UK Corporate Governance Code 2018.

The Chairman has recently introduced a programme of events intended to achieve regular engagement with major shareholders in order to understand their views on governance and performance against the Group's strategy. Committee Chairs will seek engagement with shareholders on significant matters related to their areas of responsibility. Tracey Graham has offered the opportunity to meet to a number of major shareholders to discuss the revised Remuneration Policy that will be proposed for approval by shareholders at the 2019 AGM.

Live audio webcasts with replay facilities are available for the full-year and interim results presentations to analysts.

All shareholders are invited to attend 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 23 May 2019 at 11:00 a.m. at 54 Hatton Garden, London EC1N 8HN 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 and 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 the Company's website at www.ibstockplc.com/investors.

The results of the voting at the 2018 AGM were, in summary:

Resolution		For Percentage of votes cast[1,2]	Against Percentage of votes cast[2]
1	Receive the Annual Report and Accounts	99.93%	0.07%
2	Directors' Remuneration Report	99.58%	0.42%
3	Declare a final dividend of 6.5 pence per ordinary share	96.48%	3.52%
4-8	Election/re-election of directors	98.58%-99.57%	0.43%-1.42%
9	Re-appointment of external auditors	100.0%	0.0%
10	Auditors' remuneration	100.0%	0.0%
11	Political donations	97.39%	2.61%
12	Authority to allot shares	98.72%	1.28%
13	Authority to disapply pre-emption rights	99.99%	0.01%
14	Additional authority to disapply pre-emption rights (acquisitions/capital investments)	99.23%	0.77%
15	Market purchases of own shares	99.09%	0.91%
16	General meetings on less than 14 clear days' notice	97.18%	2.82%

1 Includes those votes for which discretion was given to the Chairman.
2 Does not include votes withheld.

Relations with shareholders and other stakeholders
continued

Website – Investor Relations

The investor relations section of the Company's website can be found at www.ibstockplc.com/investors. It provides information on the Company's financial calendar, dividends, annual general meetings and other areas of interest to shareholders. Copies of Annual Reports and investor presentations are available to view and download. Shareholders can also register to receive "email alerts" relating to the Group's activities.

Executive Leadership Team

The Group has an Executive Leadership Team (the "ELT") comprised of the Executive Directors, Company Secretary, Group functional heads and business unit leaders. The ELT meets on a regular basis to monitor operational matters and to provide input to the Group's strategic debate and implementation. Through this structure, executives in the tier immediately below Board level have the opportunity to have greater involvement in the management of the Business. The Board, as part of its succession planning arrangements, meets with members of the ELT at their business locations and off-site during the course of the year.

Workforce

The Board keeps engagement mechanisms with the wider workforce under review so that they remain effective. During the year under review the Company engaged with the workforce through:

- Company Newsletters introduced in 2018 issued to all employees. Tailored Newsletters are prepared for each of the Brick and Concrete divisions.
- CEO's weekly email briefings sent to all employees with Company email addresses. Employees who do not have email addresses receive a weekly briefing at which the CEO's message is shared with them.
- Visits to the Group's operations, as discussed on page 66, during which the Board had the opportunity to receive feedback from members of the workforce on Group related matters.
- Two conferences were organised during the year for the Senior Leadership Team (the "SLT"). Approximately 80 members of the SLT met to discuss and devise solutions for various issues facing the Group. They were also able to provide feedback from their areas of the Business.
- A series of "back to work days" was organised to take place in January 2019. This is a new initiative whereby at the beginning of each year, all managers across the Group will hold a one-off session with their team or teams to share what was achieved during the previous year, and to facilitate a team discussion about what should be focused upon at individual, site and Company level for the remainder of the year. Staff engagement was at a very high level and feedback from attendees is being assessed by the Company.
- The Board has reviewed and is enhancing workforce engagement mechanisms, taking account of the recommendations of the UK Corporate Governance Code 2018. The Board will report on its review, and on the additional workforce engagement mechanisms introduced, in next year's annual report.

Other stakeholders

In addition to our shareholders, the Board has identified a number of groups as its key stakeholders. In the Resources and Relationships section on pages 32 to 41 we discuss how the Group has engaged with these key stakeholders during the year. Highlights include:

Employees

- An 11% reduction, year on year, in Lost Time Accidents;
- In excess of 7,000 training days provided to the Group's employees; and
- Launch of an all employee Save As You Earn share incentive plan.

Customers

- Recognised as the "Best Overall Supplier" by Jewson at their "Jewson Live" annual conference and supplier exhibition; and
- Our product range is the most extensive in the market and over the last year we have added 15 new products to the range.

Suppliers

- We updated our Code of Business Conduct and Anti-Bribery and Corruption policies; and
- Updated the Group's Modern Slavery Statement.

Communities and environment

- Over 400 members of the local community attended the open day to celebrate commission of the new Eclipse factory in Ibstock; and
- The new Eclipse factory received a commendation at the Electrical Contractors Association annual awards for its integrated intelligent lighting solution that should deliver 170,000kg CO_2 savings annually.

Highlights

Successful CEO transition

Visits to a number of the Group's operations were undertaken by the Board

Successful succession planning with the appointment of a new Chairman, SID and two new Non-Executive Directors

Board responsibilities and procedures

The Board is responsible for the effective leadership and long-term success of the Group.

The following is a high-level summary of the principal decisions that are specifically reserved for the Board (a full list of the matters reserved for the Board is available on the Company's corporate website, at www.ibstockplc.com/investors/corporate-governance):

- 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;
- Amendments to the Group's capital, legal and corporate structure, including reduction, consolidation, sub-division or conversion of share capital;
- Approval of the interim report, the preliminary announcement of the final results and the Annual Report and Accounts;
- Approval of the dividend policy and declaration of any interim, final, supplementary or special 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; and
- 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, may be delegated to the Executive Directors.

To enable the Board to discharge its duties, all Directors receive appropriate and timely information.

Board composition

The Code recommends that the Board of Directors of a UK premium listed company includes an appropriate combination of Executive and Non-Executive Directors, with independent Non-Executive Directors (excluding the Chairman) comprising at least half the Board. As at the year end and the date of this report, the Board comprised a Non-Executive Chairman, four independent Non-Executive Directors and two Executive Directors. The Board regards Tracey Graham, Justin Read, Louis Eperjesi and Claire Hawkings as independent for the purposes of the Code.

Joe Hudson joined the Board on 2 January 2018 as Chief Executive Officer Designate and assumed the role of Chief Executive Officer on 4 April 2018, when Wayne Sheppard retired. Joe has had extensive experience across the building materials and construction products industry. At the UK subsidiary of Lafarge Holcim, Aggregate Industries, he was responsible for the cement, concrete products and integrated businesses division. He has held both functional and operational roles in Europe, Africa and North America, including Chief Executive, Lafarge Africa plc and Group Senior Vice President in Organisation and HR.

Jamie Pike stepped down from the Board following the AGM on 24 May 2018 and Jonathan Nicholls, who was SID and Chairman of the Audit Committee until that time, became Chairman of the Board and Chair of the Nomination Committee. At the same time, Tracey Graham was appointed SID, in addition to her role as Chair of the Remuneration Committee, and Justin Read became Chair of the Audit Committee.

Louis Eperjesi joined the Board as a Non-Executive Director on 1 June 2018 and, upon appointment, became a member of the Board's Remuneration, Audit and Nomination Committees. Louis is the Chief Executive Officer of Tyman plc, the FTSE-listed international supplier of engineered components to the door and windows industry, a position he has held since February 2010. He has extensive knowledge and experience of the manufacture and supply of building products in international markets. He has a strong commercial, marketing and product background, through which he has successfully driven strategy development, change management programmes and M&A activity.

Claire Hawkings joined the Board as a Non-Executive Director on 1 September 2018 and, upon appointment, became a member of the Board's Remuneration, Audit and Nomination Committees. Claire is a member of the Executive Committee of Tullow Oil plc, where she is Executive Vice President, Organisation Strategy and Company Performance. Claire's experience includes overseeing company performance management and reporting and delivery of the organisational strategy, including the diversity and inclusion agenda. Claire has worked in the oil and gas industry for 28 years in a variety of international commercial, environmental, business development and general management leadership positions.

As announced on 6 February 2019, Kevin Sims will retire and step down from the Board in 2019. Kevin will be succeeded as CFO by Chris McLeish, who will join the Board in August 2019.

Non-Executive Directors

At the date of this Report, independent Non-Executive Directors comprise 67% of the Board, excluding the Chairman. The Board believes that these Non-Executive Directors, Tracey Graham, Justin Read, Louis Eperjesi and Claire Hawkings 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.

The Non-Executive Directors scrutinise and hold to account the performance of management and individual Executive Directors against agreed performance objectives.

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

Board Committees

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

If the need should arise, the Board may establish additional committees to consider specific issues, as appropriate. The terms of reference for each of the Board's principal Committees are available on the Company's corporate website, at www.ibstockplc.com/investors/corporate-governance.

Details of the activities of the Remuneration Committee are set out on pages 81 to 107. Details of the Board's other principal Committees and their activities during the year are set out in the separate Committee Reports on pages 71 and 72 and on pages 75 to 80, and are incorporated into the Corporate Governance Statement by reference. The Chair of each Committee reports the outcome of the meetings to the Board. Details of Committee memberships are included in the Directors' biographies on pages 68 and 69.

The Board held scheduled meetings on 10 occasions during the year and expects to meet approximately seven times each year going forward.

The number of scheduled meetings of the Board and its Committees and the attendance by the Directors during the year is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Jamie Pike[1]	3/3	N/A	1/1	1/1
Jonathan Nicholls[2]	10/10	2/2	5/5	3/3
Tracey Graham	10/10	4/4	5/5	3/3
Justin Read	10/10	4/4	5/5	3/3
Louis Eperjesi[3]	7/7	2/2	4/4	1/1
Claire Hawkings[4]	4/4	1/1	3/3	1/1
Wayne Sheppard[5]	2/2	N/A	N/A	N/A
Joe Hudson	10/10	N/A	N/A	N/A
Kevin Sims	10/10	N/A	N/A	N/A

1 Jamie Pike stepped down from the Board following the AGM held on 24 May 2018.
2 Jonathan Nicholls stepped down from the Audit Committee upon his appointment as Chairman of the Board following the AGM held on 24 May 2018. Jonathan did not participate in discussions of the Nomination Committee or the Board concerning his appointment as Chairman.
3 Louis Eperjesi was appointed to the Board on 1 June 2018.
4 Claire Hawkings was appointed to the Board on 1 September 2018.
5 Wayne Sheppard stepped down from the Board on 4 April 2018.

The table above 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 has not been a member of that Committee.

The Board aims to hold at least two Board meetings each year at Group business locations to enable the Directors to gain a deeper understanding of the Group's operations. 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 2018 the Board held a number of meetings at the Group's business locations:

- February – Ibstock Brick Limited, Leicester Eclipse factory. The Board visited the recently commissioned Eclipse factory that will have the capacity to produce c.100 million soft mud bricks p.a. They also had the opportunity to meet with members of the local management team.
- March – Ibstock Brick Limited, Lodge Lane factory, Cannock, Staffordshire. The factory produces blue bricks, the most popular of which is the Stafford Slate Blue. They inspected the new kiln, which was the product of a £7.6 million investment and is expected to increase production by c.8 million bricks p.a. They also met with members of the local management team.
- June – Glen-Gery Inc, Pennsylvania US. The Board undertook a three-day visit of the US business. During the tour the Board visited the Glen-Gery Marseilles Plant in Illinois where they met staff and senior management and received presentations on the plant and its products. The Board also received presentations from senior management on Glen-Gery's performance, prospects and strategic objectives. In addition, external consultants were invited to provide the Board with an update on the US market and emerging trends.

During these visits management and employees were afforded the opportunity to provide feedback on matters relating to the individual site and the wider Group.

Looking forward to 2019, the Board intends to continue its programme of Group-wide site visits.

Board meeting calendar and regulatory agenda discussion items

The Board has a structured agenda for its meetings throughout the year. The following table summarises the key activities that took place at these meetings during the year under review.

2018	Q1	Q2	Q3	Q4
CEO commentary on business activities and priorities	●	●	●	●
CFO financial review of business performance	●	●	●	●
Business unit site visits and presentations covering financial results and operational activities	●	●		
Health and safety update	●	●	●	●
Review and approval of preliminary full-year results and the annual report and accounts	●			
Full-year dividend approval	●			
Investor communications – feedback on full-year and half-year results road shows		●		●
Board meeting held at US subsidiary		●		
Consideration of requirement and decision to issue the July Trading statement			●	
Confirmation of US strategy and decision to dispose of Glen-Gery				●
Preparation for Board evaluation			●	
Review and approval of half-year results			●	
Approval of Interim and supplementary dividend			●	
Board evaluation output and recommendations				●
2019 Budget approval				●
Board briefings from advisors on developments in corporate governance and corporate legal matters			●	●
Whistleblowing biannual report		●		●
Review of Board activities with shareholders				●
Meeting of the Non-Executive Directors without the Executive Directors present				●
Meeting of the Non-Executive Directors without the Chairman present			●	●

The Board and strategy

The Board assesses the basis on which the Group generates and preserves value over the long term. Opportunities and risks to the future success of the business are considered and addressed. Sustainability of the Group's business model is considered and the Board reviews how its governance contributes to the delivery of its strategy.

The Board and culture

The Board assesses and monitors corporate culture. If it was not satisfied that policy, practices or behaviour throughout the business are aligned with the Company's purpose, values and strategy, it would seek assurance that management had taken corrective action.

July Trading statement

Following the appointment of Joe Hudson as CEO the Group undertook a detailed review of its brick manufacturing assets. The review identified that a number of measures were required to sustain the quality and range of production output. The Group's UK brick factories had been producing at, or close to, full production capacity for an extended period of time. Leading up to, and particularly in the month of July, production had been lower than expected and despite corrective measures output, in the second half of the year was anticipated to be below expectations. A 12-month period of increased maintenance activity was therefore planned and implemented to ensure that factories could operate at sustainable levels to meet increasing demand.

As a result of these actions the Board anticipated that adjusted EBITDA for the year ended 31 December 2018 would fall below market expectations. After careful consideration of forecasts and various scenarios the Board arrived at the conclusion that market expectations would not be achieved and issued an unscheduled trading statement, without delay, on 30 July 2018.

Sale of Glen-Gery

At the time the interim results were published we announced that the Group was undertaking a strategic review of certain aspects of our business, including the US operations. The Board arrived at the conclusion that opportunities to grow the US business were not in line with the Group's overall strategic objectives and the decision was taken to dispose of these assets and refocus the Group on its core markets in the UK.

Following a competitive process, headed by a respected international corporate finance house, the Board approved the sale of the business to Brickworks Limited for an enterprise value of US$110 million (which equated to a multiple in excess of eight times Glen-Gery's last 12 months adjusted EBITDA[1], as reported to June 2018). Additional information on the sale can be found in the Chief Executive's statement on page 14, the Financial review on pages 52 to 53 and Note 11 of the Financial statements.

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

Board of Directors

Jonathan Nicholls
BA (Hons), ACA, FCT
Chairman
Age 61

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

Relevant skills and experience:

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

Current external appointments:

- Chairman of Shaftesbury PLC (appointed September 2016)
- Senior Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of DS Smith plc (appointed December 2009)

Past board roles include:

- Non-Executive Director and Chairman of the Audit Committee at SIG plc
- Senior Independent Director and Chair of Audit Committee at Great Portland Estates plc
- Chief Financial Officer of Hanson plc
- Chief Financial Officer of Old Mutual plc

Joe Hudson
BA (Hons), FCIPD
Chief Executive Officer
Age 49

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

Relevant skills and experience:

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

Current external appointments:

- None

Past board roles include:

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

Kevin Sims
ACMA
Chief Financial Officer
Age 57

Date appointed to the Board:
22 September 2015
Tenure on Board:
3 years 5 months
Committee memberships:
None
Independent:
No

Relevant skills and experience:

- Member of the Institute of Chartered Management Accountants
- More than 30 years of experience within manufacturing businesses in senior finance positions
- Financial leadership experience gained from a variety of business sectors across the UK, Europe and the United States
- Extensive experience in various finance-related managerial roles within CRH plc

Current external appointments:

- None

Past board roles include:

- CRH Product Group Financial Director – Clay Europe
- CFO of Ibstock Building Products under Bain Capital

Tracey Graham
Senior Independent Director
Age 53

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

Relevant skills and experience:

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

Current external appointments:

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

Past board roles include:

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

Justin Read
MA, MBA
Non-Executive Director
Age 57

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

Relevant skills and experience:

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

Current external appointments:

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

Past board roles include:

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

Louis Eperjesi
Non-Executive Director
Age 56

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

Relevant skills and experience:

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

Current external appointments:

- Chief Executive Officer of Tyman plc (appointed February 2010)
- Trustee of The Cheltenham Trust

Past board roles include:

- Executive Director of Kingspan Group plc

Claire Hawkings
BSc (Hons), MBA
Non-Executive Director
Age 49

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

Relevant skills and experience:

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

Current external appointments:

- Executive Vice President, Organisation Strategy & Company Performance of Tullow Oil plc

Past board roles include:

- Director, Tullow Oil Netherlands
- Director, Tullow Oil Bangladesh
- Director, Gujarat Gas Co. Ltd.
- Director, British Gas India Pvt. Ltd

Robert Douglas
BSc (Econ), FCA
Company Secretary
Age 63

Tenure as Company Secretary:
3 years 4 months
Committee memberships:
None
Independent:
N/A

Relevant skills and experience:

- Honours degree in Economics and Business awarded by the University of Wales, Aberystwyth
- A fellow of the Institute of Chartered Accountants in England and Wales, having qualified with Deloitte Haskins and Sells in 1982
- Considerable experience gained as divisional CFO and interim CFO in large groups and private equity backed businesses engaged in construction and engineering
- Listed company experience gained as Deputy Group Finance Director and Company Secretary of a FTSE 250 house builder and developer
- Interim CFO of FTSE listed businesses engaged in utilities and estate agency

Current external appointments:

- None

Highlights

Completed actions arising from the 2017 Board evaluation

Completed induction programmes for Joe Hudson, Louis Eperjesi and Claire Hawkings

Performed a successful, externally facilitated evaluation of the effectiveness of the Board and its Committees

Board evaluation

An externally facilitated formal and rigorous evaluation of the performance of the Board, its principal Committees and individual Directors was undertaken in the final quarter of 2018.

The performance evaluation took the form of a questionnaire which included questions that were intended to assist with the assessment of the performance of the Board, individual Directors and the Board's Committees. It also included questions related to Board administration, strategy, risk oversight and succession planning. The process provided the Board with the opportunity to make specific comments in response to a series of "open" questions. The questionnaire was completed by all Directors and the Company Secretary. The questionnaires were evaluated by David Mensley of EquityCommunications Ltd and a report was presented to the December 2018 meeting. EquityCommunications Ltd has no connection with the Group, or any individual director, other than the provision of services in respect of the Board and Committee appraisal process.

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

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

Evaluation outcomes and actions

Overall, it was 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. Specific outcomes and actions were as follows:

Board changes

The appointment of the Chairman, new CEO and two new NEDs had been successful. Despite the large amount of change the Board continued to be a highly functional group of individuals with the skills and experience required to take the Group forward.

Executive succession planning

A greater number of presentations to the Board from the executive team immediately below Board level would be organised where appropriate.

The Board would ensure that the process for mapping, assessing and planning for the development of the executive team immediately below Board level would be further strengthened.

Next evaluation

The next evaluation would likely take the form of a more narrowly focused and forward-looking exercise which could probe areas such as strategy, succession planning, risk and the structure of the Board.

Induction of new directors

Joe Hudson was appointed a Director, and CEO Designate, on 2 January 2018. A tailored induction programme was prepared for him, which took place during the first three months following his appointment to the Board. During the programme Joe received detailed briefings on the operation of the Board, its processes and governance. He received a detailed and extensive handover from the outgoing CEO. Meetings were organised with the Group's business unit leaders and all other members of the Senior Leadership Team. Visits were arranged to all of the Group's principal factories and operations throughout the UK and the US. Joe met with decision makers from the Group's major customers and suppliers and also received briefings from the Company's brokers and legal advisors. Shortly before being appointed CEO he attended the analysts' presentation of the 2017 preliminary results and accompanied the CEO and CFO at post announcement meetings with major shareholders.

Louis Eperjesi and Claire Hawkings were appointed as Directors on 1 June 2018 and 1 September 2018, respectively. They each received tailored induction programmes that included visits to the principal operations of the Group's three UK based businesses, where they met members of the management teams. They were given guided tours of the factories and were introduced to the businesses' products and manufacturing operations. Meetings were also held with the Executive Directors and senior members of the Group Head Office team. In addition, they received briefings on the operation of the Board, its processes and governance, the structure of Board Committees and were granted access to past Board papers and minutes.

External directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. When making new appointments, the Board takes into account other demands on Directors' time. The external commitments of the Board are set out in their biographies on pages 68 and 69. The Board is content with the level of external directorships held by the Chairman and the independent Non-Executive Directors, as these do not impact on the time that any Director devotes to the Company. Furthermore, the Board believes that this external experience serves to enhance the capability of the Board.

Nomination Committee Report

Jonathan Nicholls
Chair of the Nomination Committee

Committee members	Attendance
Jonathan Nicholls (Chair)	3/3
Tracey Graham	3/3
Justin Read	3/3
Louis Eperjesi	1/1
Claire Hawkings	1/1

Jamie Pike was Chair of the Nomination Committee until he stepped down from the Board on 24 May 2018.

The Company Secretary acts as Secretary to the Nomination Committee.

Please see pages 68 and 69 for detailed biographies.

Committee calendar and agenda discussion items

During the year under review the Nomination Committee met formally on three occasions.

2018	Q1	Q2	Q3	Q4
Recommended the appointment of Jonathan Nicholls as Chairman and Louis Eperjesi and Claire Hawkings as Non-Executive Directors following completion of the processes described on pages 72 and 73		●		
Reviewed Directors' training and development needs		●		
Reviewed Committee's Terms of Reference			●	
Reviewed size, structure and composition of the Board			●	
Reviewed time commitment required from Non-Executive Directors			●	
Reviewed the independence of Non-Executive Directors			●	
Annual review of the Nomination Committee's effectiveness				●
Reviewed succession planning arrangements and organisational changes			●	

Dear Shareholder,

As Chair of the Nomination Committee I am pleased to present my report to shareholders for the year ended 31 December 2018.

2018 Key achievements

- Successful CEO succession.
- Orderly succession following retirement of the Chairman and appointments of the SID and Chair of the Audit Committee.
- Recruitment process for, and selection of, two new Non-Executive Directors.
- Reviewed succession planning for the Board and the tier below Board level.
- Reviewed Board training requirements.
- Considered time commitment required of the Non-Executive Directors.

Areas of focus in 2019

- Continued development and monitoring of succession plans for both the Board and senior management.
- Further development of the Diversity Policy.
- Further strengthening of the senior management team.

Responsibilities

The key responsibilities of the Nomination Committee are:

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

During the year, the Committee reviewed its Terms of Reference, a copy of which can be found on our website at www.ibstockplc.com/investors/corporate-governance.

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 Nomination Committee, through its oversight of succession planning, applies a similar approach to the layer of management that sits immediately below the Board.

The aim of the Nomination Committee is to ensure that the Board and senior management are well balanced and appropriate for the needs of the business and the achievement of its strategy. Furthermore, the Nomination Committee ensures that the Board comprises Directors who are appropriately experienced and are independent of character and judgement. Before recommending new candidates, the Nomination Committee takes account of the balance of skills, knowledge, experience and diversity of psychological type. It also considers educational and professional background and gender. However, all appointments will always be made on merit. Additional information is included in the Strategic Report on page 32.

As part of the Group's long-term succession planning arrangements, Jonathan Nicholls was appointed Chairman of the Board. Jonathan's appointment as Chairman followed a rigorous and detailed process conducted by the Committee and assisted by The Zygos Partnership ("Zygos"). Zygos is one of Europe's leading board advisory firms and specialises in the appointment of chief executives, chairmen, chief financial officers and Non-Executive Directors for listed companies. Zygos has no connection to the Company, or to any individual director, other than assisting with recruitment arrangements. Tracey Graham chaired the Nomination Committee when it was dealing with the appointment of a successor to the chairmanship. Jonathan Nicholls absented himself from these discussions.

Zygos was also engaged to identify potential candidates to be appointed to the Board as independent Non-Executive Directors. Working closely with the Nomination Committee they created a long list of candidates suitably qualified to undertake the role, taking into account our policy on diversity. A short list of suitable candidates was compiled, based on relevant industry and executive experience. The Nomination Committee, together with the Executive Directors, then met with each of the candidates. Following those meetings we were able to formulate our recommendation to the Board, which culminated in the appointments of Louis Eperjesi and Claire Hawkings with effect from 1 June and 1 September 2018, respectively.

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

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

The Company's Articles of Association, which are in line with the Companies Act 2006, allow the Board to authorise potential conflicts of interest that may arise and to impose limits or conditions, as appropriate, when giving any such authorisation.

During the year, and as at the date of this report, no conflicts were reported to the Board.

We reviewed the independence of Non-Executive Directors and arrived at the conclusion that all Non-Executive Directors, as named on pages 68 and 69, with the exception of the Chairman (who was independent on his appointment to that role), continue to be regarded as independent.

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

We considered the time commitment required from the Non-Executive Directors. The Nomination Committee concluded, through discussions with the Chairman and the Board and the Committee evaluation process, that the Non-Executive Directors had committed sufficient time to fulfil their duties and that their performance continued to be effective.

Re-election of Directors

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

All Directors will retire at the AGM and those that wish to continue in office will offer themselves for election or re-election by shareholders.

Diversity

The Board acknowledges 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. The Board also acknowledges and supports the aims, objectives and recommendations of the Parker Review on ethnic diversity and the increased emphasis in the Disclosure Guidance and Transparency Rules on disclosure around diversity with regard to aspects such as age, gender and educational and professional background.

We are also working hard with our recruitment partners to ensure that we are able to attract high-quality candidates from a wide range of backgrounds regardless of gender or ethnicity.

The Board does not, however, consider that it is in the best interests of the Group, or its shareholders, to set prescriptive diversity targets for Board or senior management level appointments. We will continue to make appointments based on merit, against objective criteria to ensure we appoint the best individual for each role.

The Board has a strong balance of skills, knowledge, experience, and diversity of psychological type, educational and professional background and gender. Approximately 29% of the Board are female, as at the date of this Report, and 10% of a population of senior managers are female. Additional information regarding the gender split across the Group can be found on page 32 of the Strategic Report.

Our Inclusion Policy can be viewed on the Company's website at www.ibstockplc.com/investors/corporate-governance.

Board and Committee effectiveness

The Nomination 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 process for the Board and each Committee 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 Nomination Committee's effectiveness was presented to the Board at the December 2018 meeting. The conclusion drawn from the review was that the Nomination Committee had operated effectively. Further details of the evaluation can be found on page 70.

The evaluation of each Non-Executive Director was undertaken by the Chairman.

An evaluation of the Chairman's performance was conducted by the Non-Executive Directors, led by the SID, taking into account the views of the Executive Directors. The evaluation arrived at the conclusion that the Chairman had performed effectively.

Jonathan Nicholls
Chair of the Nomination Committee

4 March 2019

Highlights

Assessed risk management and internal controls systems as being effective

Conducted a review of the significant judgements made by management in preparing the 2018 financial statements

Considered the proposed accounting and disclosures in respect of the disposal of Glen-Gery

Financial reporting

The Group maintains a financial control environment that is regularly reviewed by the Board. The principal elements of the control environment include comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits, regular Board meetings, and clear subsidiary board and operating structures. In addition, the Group has engaged RSM LLP ("RSM") to provide an outsourced internal audit function to work alongside its own internally resourced internal audit function, which was established during the year.

Internal control and risk management systems relating to the financial reporting process and the process for preparing consolidated accounts ensure the accuracy and timeliness of internal and external financial reporting.

Throughout each year, monthly reforecasts, covering the income statement, cash flow and balance sheet are performed by each business unit and then consolidated to provide an update of the Group's expected current year performance.

Ongoing financial performance is monitored through regular weekly reporting and monthly reporting cycles to Executive Directors and regular reporting to the Board. This process enables management to assess performance, and identify risks and opportunities at the earliest opportunity.

Capital investment and all revenue expenditure is regulated by a budgetary process and authorisation levels, with post-investment and period end reviews conducted as required. A comprehensive budgeting system allows managers to submit detailed budgets which are reviewed and challenged by the Executive Directors prior to submission to the Board for approval.

The Group has an established and well understood management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments. The Group's cash resources are managed by a centralised Treasury function.

Internal management reporting and external statutory reporting timetables and delivery requirements are well established, documented and controlled at the Group centre.

The Group maintains computer systems to record and consolidate all of its financial transactions. These ledger systems are used to produce the information for the monthly management accounts, and for the annual statutory financial statements. The trading subsidiaries within the Group prepare their accounts under Financial Reporting Standard ("FRS") 102.

The accounts production process ensures that there is a clear audit trail from the output of the Group's financial reporting systems, through the conversion and consolidation processes, to the Group's published financial statements.

The Board as a whole discusses, challenges and approves the Annual Report and Accounts.

Internal controls

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

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

The 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 and Accounts. The Board has, during the year, identified and evaluated the key risks and has ensured that effective controls and procedures are in place to manage these risks (see pages 42 to 47).

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

The Board 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 ensure that adequate levels of control and scrutiny are maintained 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 provided by the Chairman of the relevant Committee in the subsequent Board meeting following a Committee meeting.

The Audit Committee, on the Board's behalf, has conducted a review of the effectiveness of the Group's system of risk management and internal control during the year, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of the review can be found in the Audit Committee Report on page 77. The Audit Committee worked with KPMG to review and revise the Group's risk management framework and activities and then reported their findings and recommendations for improvements to the Board.

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 with which 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 systems of internal control.

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

The Group's appetite for risk is set depending upon the particular risk associated with our Group strategy:

- Sustainable performance – there is a low tolerance for health and safety and environmental related risks, and no appetite for non-compliance with related legislation and statutory requirements in these areas. There is inevitably some operational risk inherent in a manufacturing business, however, formal policies and processes and a focus on continuous improvement should assist with the mitigation of these risks;
- Market-led innovation – whilst delivering activity aimed at introducing innovative products, the Group accepts that investment will be required in the short term but aims to deliver strong operating margins and returns on capital over the long term; and
- Selective Growth – the Board takes a conservative and disciplined approach to capital allocation with strict criteria to ensure that any investment is consistent with the Group's strategy and expected internal rates of return.

An independent programme of audits, to be conducted by RSM LLP ("RSM"), the Group's outsourced Internal Auditor, was approved by the Audit Committee for completion in 2018. At each of its meetings, the Audit Committee received an update from RSM with regard to progress in completion of the approved Internal Audit plan, details of any findings noted to date in completion of their reviews, and management's responses and responsiveness to recommendations resulting from the audits.

The internal audit reviews conducted by RSM supplemented management's own operational audit activities. The results of these management activities were reported to the Audit Committee throughout the year.

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

In June 2018, the Board engaged KPMG to undertake a detailed review of the Group's risk maturity with a view to refreshing its approach to risk management across all levels of the business. The review resulted in a detailed Risk Development Road Map, setting out the core actions required to achieve a desired risk maturity level of 'mature'. In December 2018, the Board reviewed and approved the proposed developments to the Group's risk management approach, engaging KPMG to support the business in re-designing the risk framework.

As part of the second phase of KPMG's support, a full review and re-design of the businesses risk governance framework has commenced with the intention of developing and implementing a risk framework and culture that is appropriately aligned to the Business' risk maturity aspirations and corporate strategy. A series of risk workshops commenced in January 2019 in order to raise risk awareness and understanding across the Business. The workshops will result in newly identified and documented risk registers. In addition, the Board has engaged KPMG to facilitate a strategic risk workshop in June 2019 with the aim of aligning the Business' principal risks to Group strategy.

The Audit Committee supports the Board in monitoring the risk exposures and is responsible for reviewing the effectiveness of the risk management and internal control systems. The Audit Committee is assisted by the Group's outsourced internal auditor, RSM, in evaluating the design and operating effectiveness of our risk strategies and the internal controls implemented by management. During 2018, no significant failings or weaknesses in the Group's internal controls were identified.

The Audit Committee reviewed and approved the Group-wide risks and mitigation prepared by management. This review formed a key component of the Directors' robust assessment of the 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 44 to 47.

The Group's Risk Management Framework is illustrated on page 43.

Risk management framework

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

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

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

As part of its considerations as to whether the 2018 Annual Report and 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 took into account the following:

- the Chairman and Chief Executive Officer provided input to and agreed on the overall messages and tone of the Annual Report and Accounts at an early stage;
- individual sections of the Annual Report and Accounts were drafted by appropriate senior management with regular review meetings to ensure consistency across the entire document;
- detailed reviews of appropriate draft sections of the Annual Report and Accounts were undertaken by the Executive Directors;
- an advanced draft of the Annual Report and Accounts was reviewed by the Audit Committee and the auditors on a timely basis to allow sufficient consideration and was discussed with the Chief Financial Officer and senior management prior to consideration by the Board; and
- the Chief Financial Officer, in his February 2019 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 and Accounts, including whether the Board considers that there are any omissions in information

The Fair, Balanced and Understandable Statement appears on page 60.

Audit Committee Report

Justin Read
Chair of the Audit Committee

Committee members	Attendance
Justin Read (Chair)	4/4
Tracey Graham	4/4
Louis Eperjesi	2/2
Claire Hawkings	1/1

Jonathan Nicholls was Chair of the Audit Committee until 24 May 2018, when he stepped down from the Committee and became Chairman of the Board. Louis Eperjesi and Claire Hawkings joined the Committee upon appointment to the Board on 1 June and 1 September 2018, respectively. For a short period from 24 May 2018 to 1 June 2018 the Audit Committee comprised two members only (Justin Read and Tracey Graham). There were no Audit Committee meetings during this time.

The Company Secretary acts as Secretary to the Audit Committee.

Please see pages 68 and 69 for detailed biographies.

Committee calendar and agenda discussion items

During the year the Committee met on four occasions.

2018	Q1	Q2	Q3	Q4
Financial and narrative reporting	●	●	●	●
External audit	●	●	●	●
Review of risk	●	●	●	●
Independence and objectivity of the external auditor	●		●	
Internal Audit	●	●	●	●
Annual review of the Audit Committee's effectiveness				●
Review of significant accounting matters and judgements	●	●	●	●
Other ad hoc activities	●	●	●	●

As required by its Terms of Reference ("TOR"), the Audit Committee reviewed the TOR during the year and made recommendations to, and received approval from, the Board for minor alterations. A copy of the TOR can be found on our website at www.ibstockplc.com/investors/corporate-governance.

Dear Shareholder,

I am pleased to present my report to shareholders, as Chair of the Audit Committee, for the year ended 31 December 2018.

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

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

The Audit 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 2019 AGM to answer any questions shareholders may have regarding the work of the Audit Committee.

2018 key achievements

- Reviewed, and recommended to the Board for approval, the Annual Report and Accounts and the Interim Statement.
- Appointed KPMG to undertake a detailed review of the Group's risk maturity with a view to refreshing its approach to risk management across all levels of the business.
- Approved the creation of an internally facilitated internal audit function to work alongside, and to undertake assignments complementary to, services provided by RSM.
- Appointment of the Chair of the Audit Committee in line with the Group's succession planning arrangements.
- Reviewed the proposed accounting and disclosures in respect of the disposal of Glen-Gery.
- Approved the project to transition to the new lease accounting standard (IFRS 16) in advance of its application from 1 January 2019.

Areas of focus in 2019

- Review management's progress with the project to transition to the new lease accounting standard (IFRS 16) and first reporting in the 2019 Interim Statement.
- Continue to ensure that the systems of internal control are robust and operating effectively and that the principal risks identified by the Board are managed effectively.
- Work with KPMG to roll out the Group's refreshed approach to risk management.
- Ensure successful CFO transition.
- Assess individual areas of risk selected for in depth review.
- Review significant reporting judgements and estimates and associated key assumptions.
- Review the Annual Report and Accounts and the Interim Statement in order to recommend them to the Board for approval.

Audit Committee composition and meetings

The Board considers that I have recent and relevant financial experience. The Audit Committee, as a whole, has competence relevant to the sector in which the Group operates. Members have relevant experience in finance, building materials, B2B businesses and extractive industries, together with general executive experience in businesses of scale. Additional information on our skills and experience can be found in the Board biographies set out on pages 68 and 69.

The Audit Committee met formally on four occasions during the year and details of the attendance at meetings by members of the Audit Committee are set out on page 75.

The Audit Committee provides a forum for reporting and discussion with the Group's external auditors in respect of the Group's half-year and full-year results and certain Executive Directors and senior managers attended meetings, as and when required, by invitation.

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

Responsibilities

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

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 arrangements;
- 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 monitor and evaluate the Group's policies for non-audit services and the engagement of former employees of the external auditor.

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 page 75 summarises the agenda items covered at the Committee's meetings during the year.

Financial and narrative reporting

- Reviewed the full and half-year results and associated announcements, together with the analysts' presentations, and recommended them to the Board for approval.
- Reviewed the Group's Annual Report and 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 position, performance, business model and strategy and recommended them to the Board for approval.
- Considered the appropriateness of the Group's accounting policies and practices, focusing on areas of significant management judgement or estimation, and questioned the rationale for decisions taken in application of the policies. Policies and practices were found to be appropriate and correctly applied (see Significant issues considered by the Audit Committee during the year on page 78).
- Received updates on corporate reporting and corporate governance from the external auditor, including:
  - the changing governance landscape for listed companies;
  - purpose, values, culture and Section 172 of the 2006 Companies Act;
  - workforce engagement;
  - risk and internal control;
  - Board composition and independence; and
  - FRC advice letter to preparers of annual reports for the 2018/19 reporting season.
- Considered the process for preparing the 2018 Annual Report and Accounts.
- Received updates from management on training for Audit Committee members, including changes in financial reporting requirements and Company Law.
- Reviewed processes for the implementation of IFRS 16 – Leases.

External audit

- Reviewed and concurred with Deloitte LLP's ("Deloitte") plans for their review of the 2018 interim statement and audit of the 2018 financial results.
- Reviewed and considered the reports presented by Deloitte to the Audit Committee following the half-year review and full-year audit.
- Reviewed the performance of the external auditor and the effectiveness of the external audit process.
- Discussed and approved the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the external auditor, taking into consideration relevant professional and regulatory standards.
- Discussed and approved the Directors' Letter of Representation provided to Deloitte.
- Reviewed and approved the policy for the employment of former employees of the external auditor, without amendment, confirming with management that no such employees had been appointed during 2018.
- Held meetings with Deloitte, following Audit Committee meetings, without management present, on three occasions. There were no material issues that were brought to the Audit Committee's attention at those meetings.
- Recommended to the Board that a shareholder resolution should be proposed for the reappointment of Deloitte.

Review of risk

– Reviewed principal business risks, risk management processes and internal controls. Information on Principal risks and Risk management is set out on pages 42 to 47.
– Received a report from the CFO on the internal controls operating in the business and any associated action plans. The Committee concluded that the Group's internal controls had been operated effectively.
– Reviewed fraud risks, ethics policy and whistleblowing policy. The review did not identify any material matters of interest.
– Considered the appropriateness of the Group's Viability Statement at the full-year, and Going Concern Statement assumptions at the half-year and full-year, including a review of the sensitivity analysis and scenarios prepared by management. This specifically challenged management's preparation of the Viability Statement using a three-year lookout period. Following discussion, the Committee concurred with management as to the choice of a three-year lookout period. The Viability Statement and the Going Concern Statement are set out on page 56.

Independence and objectivity of the external auditor

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

Internal Audit

– Reviewed reports presented by RSM on internal audit assignments that had been completed during the year and discussed the results and agreed actions arising from RSM's recommendations.
– The Audit Committee reviewed management's responsiveness to RSM's findings and recommendations.
– Agreed a plan of work for the 2019 Internal Audit programme with RSM. In reviewing the proposed plan of work, the Committee questioned the Internal Auditor and management as to the composition of the plan. The Committee considered any specific areas of risk identified by either party in formulating the schedule. Following discussion, the Committee was satisfied that the proposed 2019 work programme was appropriate.
– The Audit Committee met with RSM, without management present, on three occasions. There were no material issues that were brought to the Audit Committee's attention at those meetings.
– Reviewed and approved the 2019 internally resourced internal audit plan.

Annual review of Audit Committee effectiveness

– Received updates from Deloitte on developments in compliance, corporate governance matters and the regulatory framework.
– Conducted the annual evaluation of the effectiveness of the Audit Committee and formed the opinion that the Audit Committee had been effective.
– Reviewed the Committee's Terms of Reference and confirmed that, subject to a few minor amendments, they remained appropriate.
– Reviewed training requirements of Committee members and received training and technical updates from the Company Secretary and Deloitte.

Review of significant accounting and key areas of judgement

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

Other ad hoc matters

– Received a Cyber Security report from the Chief Information Officer.
– Reported to the Board on how the Committee has discharged its responsibilities, including the consideration of significant matters considered and an explanation of the assessment of the effectiveness of the external audit process.
– Approved the annual programme of work to be performed by the Audit Committee.
– Reviewed and approved, without amendment, the Group's policy for the provision of non-audit services by the external auditor.
– I met with the audit partner on a number of occasions during the year.

Significant issues considered by the Committee during the year

Matter considered	Committee's response
Pension accounting The Group has a defined benefit pension scheme in the UK, which was closed to future accrual with effect from 1 February 2017. Management exercise their judgement around the assumptions used by its actuary, including the sensitivities to these assumptions, to calculate the pension scheme assets and liabilities under IAS 19 (R) Employee benefits. As at 31 December 2018, in the UK scheme there was an actuarial accounting surplus of £80.7 million (2017: £46.1 million), as detailed in Note 21 to the financial statements.	The Committee reviewed the assumptions with management and sought views from the external auditor before it concluded on the appropriateness of the actuarial balances disclosed. This review considered the financial assumptions used by management as part of the actuarial valuation and the range of possible assumptions using available market data to assess the reasonableness. In conclusion, the Audit Committee concluded that the actuarial assumptions used in the valuation of the period end pension liabilities were in an acceptable range, disclosed appropriately and is satisfied that the resulting presentation and disclosure is appropriate. The Committee further considered management's judgement with regard to the Group's ability to recognise a pension scheme surplus and assessed the legal advice received. The Committee arrived at the conclusion that management's application of IFRIC 14 remained appropriate. See also Note 2 to the financial statements.
Indicators of impairment The Group holds significant asset values in the form of brands, customer relationships, mineral reserves, land and buildings and property, plant and equipment. These assets were subject to a detailed fair value exercise upon acquisition of the trading entities in February 2015. For a number of assets, this exercise utilised the Business' performance projections in arriving at the fair value ascribed. Should actual performance subsequently fall below these projections, impairment of the asset values may be required under IAS 36 Impairment of assets. As at 31 December 2018, the value of these non-current assets was £466 million (2017: £516 million).	The Committee considered the processes adopted by management in assessing whether, in their judgement, any indicators of impairment existed and whether any subsequent detailed impairment testing should be undertaken. The Committee carefully considered management's sensitivity analysis and assessed the impact on the analysis of changes to the underlying assumptions. Following its review, the Committee concurred with management's judgement that no indicators of impairment existed at the balance sheet date and, as such, no detailed impairment testing was required. Following the disposal of Glen-Gery in the year under review, the Committee considered the implications of the sale on the value of investment in subsidiaries held within the parent entity and examined management's analysis of the impact. Following review and challenge, the Committee concurred with management's conclusion that the investment in subsidiaries within the parent entity had not been impaired. 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, the Committee was satisfied that the financial statements appropriately reported the value of the assets and that they were fairly stated.
Alternative Performance Measures The Group presents a number of alternative performance measures ("APMs") within its published financial information, including its 2018 Annual Report and Accounts, with the objective of providing readers with a better understanding of financial performance in the period, in order to facilitate comparison between periods and to assess trends in financial performance.	In light of the guidance issued by the European Securities and Markets Authority and the UK's Financial Reporting Council, the Committee has understood and challenged management's rationale for including an item as an exceptional item and the use of APMs. Through discussion with management and the external auditor, the Committee has also sought to ensure that the policy for APMs is applied consistently and in compliance with the guidance provided. The Committee challenged management's rationale for the use of specific APMs; and the link between APMs reported within the financial statements and incentive measures within the Directors' Remuneration Report. The Committee concluded that the presentation of APMs gave additional clarity on performance and were reconciled appropriately to reported amounts, with sufficient prominence, and is satisfied that the resulting presentation and disclosure is appropriate.
Disposal of Glen-Gery operations Following a review completed in the second half year, the Group disposed of its US Segment for proceeds of £76 million resulting in a loss on disposal of £3 million on 23 November 2018,	Following the disposal, the Committee received a presentation from management setting out potential template disclosures for inclusion in the 2018 Annual Report and Accounts in relation to the disposal. The Committee reviewed the disclosures prepared by management and challenged the disclosure treatment of the discontinued operations, the loss arising on disposal and the resulting taxation impact of the disposal. Following this review and challenge, the Committee concluded that the disposal presentation within the primary financial statements and supporting notes appropriately reflects the transaction and satisfied the relevant reporting requirements.

Going Concern and Viability Statements

As requested by the Board, the Audit Committee reviewed the Going Concern and Viability Statements prepared with the assistance of management, together with the supporting documentation and sensitivity analyses. Details of the review process and the conclusion reached are set out on page 56. Following its review, the Audit Committee recommended the approval of both statements to the Board.

Fair, balanced and understandable

It is the Board's responsibility to determine whether the 2018 Annual Report and Accounts are fair, balanced and understandable. The Audit Committee reviewed the process for preparing the 2018 Annual Report and Accounts, reviewed management's analysis of the 2018 Annual Report and Accounts and how this met the objectives of providing fair, balanced and understandable disclosures. After detailed consideration the Audit Committee arrived at the decision to recommend that the 2018 Annual Report and Accounts be approved by the Board as fair, balanced and understandable. Specifically, this included detailed consideration of the Alternative Performance Measures used within the 2018 Annual Report and Accounts (see above for details of significant issues considered by the Committee during the year). The Committee concurred with management that the effective use of such measures added greater insight for readers of the financial statements and aided comparisons over time and between companies. The Committee considered the impact of such measures on the fair, balanced and understandable nature of the report to ensure that the use of APMs did not obscure the "true and fair" nature of the 2018 Annual Report and Accounts. The Committee's role in that process is covered on page 78.

Internal controls and risk management

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

Internal Audit

The Audit Committee received updates from RSM at each meeting on the progress made against the agreed Internal Audit plan for 2018. The rolling programme of reviews completed in 2018 included audits of:

- GDPR – information and data security;
- Group procurement;
- factory purchasing;
- inventory management and sales to cash;
- taxation; and
- various site audits.

RSM also audited the year-end and half year-end financial close accounting procedures and completed reviews of payroll systems across remaining entities not covered in the prior year.

The external audit and review of its effectiveness

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

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

As part of the review of the effectiveness of the external audit process, the Audit Committee conducted a formal evaluation procedure incorporating views from the relevant members of management.

In addition to reviewing the formal report received from the external auditors, which outlines how points raised by them have been addressed by management, feedback is also sought on the conduct of members of the finance team during the audit process. I have also 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 and Accounts for review by the auditors and the Audit Committee.

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

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

Having undertaken its review, the Audit Committee is satisfied that Deloitte has been independent and effective. Deloitte has indicated its willingness to continue in office and the Committee has recommended Deloitte's re-appointment to the Board. A resolution to re-appoint Deloitte as the external auditor will therefore be proposed at the AGM to be held in 23 May 2019.

The lead audit partner is Jonathan Dodworth. The Ethical standards require the lead audit partner to change after five years. As part of the 2018 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte continues to demonstrate appropriate independence and objectivity.

The Audit Committee received a report on Deloitte's own quality control procedures. In June 2018 the Financial Reporting Council issued individual reports on their Audit Quality Inspections on each of the eight largest firms, including Deloitte. A summary of the findings of its Audit Quality Review team for the 2017/18 cycle of reviews are available on its website. www.frc.org.uk/auditors/auditquality-review/audit-firm-specific-reports.

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

Audit fee and non-audit services

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

Details of the amounts paid to the external auditor are set in Note 6 to the Group consolidated financial statements. During the year Deloitte provided non-audit services in respect of the review of the interim financial statements for the six-month period ended 30 June 2018 (£50,000) and of the management's banking covenant compliance certification as at 31 December 2017 (£6,000). Both services were for audit-related services and represent services that were carried out by members of the audit engagement team where the work involved is closely related to the work performed in the audit. The ratio of audit fees to non-audit fees was 8:1.

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

Fraud, whistleblowing and the Bribery Act

The Committee is informed of any reported incidents under its whistleblowing policy. This policy is included in the Employee Handbook, and also emailed to employees, 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.

The Committee examined the small number of incidents that were notified by the external service provider, direct anonymous communications and internal audit. The Committee reviewed and concurred with the actions taken by management. There were no concerns notified to the Group that required the further attention of the Audit Committee during the period under review and up to the date of this report. The fact that employees have used the whistleblowing hotline provides assurance to the Board that the system is working and that our colleagues are comfortable with the process.

The 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 Committee receives regular updates at each meeting and discusses any incidents brought to its attention.

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

Committee effectiveness

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

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

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

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

I shall be available to answer any questions about the Committee, our work and how we operate at the AGM on 23 May 2019.

Justin Read
Chair of the Audit Committee

4 March 2019

Committee members	Attendance
Tracey Graham (Chair)	5/5
Jonathan Nicholls	5/5
Justin Read	5/5
Louis Eperjesi (appointed to the Board on 1 June 2018)	4/4
Claire Hawkings (appointed to the Board on 1 September 2018)	3/3

Jamie Pike stepped down from the Committee and the Board on 24 May 2018.

Louis Eperjesi and Claire Hawkings joined the Committee upon appointment to the Board on 1 June and 1 September, respectively.

The Company Secretary acts as Secretary to the Remuneration Committee.

Please see pages 68 and 69 for detailed biographies.

	Q1	Q2	Q3	Q4
Conducted a detailed review of the Remuneration policy in light of the governance developments		●	●	
Recommended the 2017 Directors' Remuneration Report for approval by the Board incorporating provisions of the UK Corporate Governance Code	●			●
Approved the 2018 Annual Bonus scorecards and monitored interim performance	●		●	●
Approved 2018 LTIP and Share Option Plan awards	●			
Set 2019 pay levels for the Executive Directors and senior management, including pay benchmarking			●	●
Reviewed the Committee's terms of reference and assessed its effectiveness				●

Structure of the report

- Remuneration Committee Chair's Annual Statement (pages 81 and 82).
- Directors' Remuneration Report At a glance (pages 83 to 87).
- Directors' Remuneration Policy (pages 88 to 97).
- Annual Report on Remuneration (pages 98 to 107).

Company highlights for the 2018 financial year

The Company has shown continued growth in 2018, with revenue from continuing operations increasing by 8% to £391 million, and adjusted EBITDA from continuing operations increased to £112 million (2017: £108 million), driven principally by a combination of both price and volume growth in our clay brick business.

Financial highlights for the year include:

- Group revenue from continuing operations – £391.4 million.
- Adjusted EBITDA[1] from continuing operations – £112.4 million.
- Profit after tax from continuing operations– £76.4 million.

Operational highlights include:

- The backdrop for our products was supportive through the year, with building rates remaining robust and UK market demand exceeded domestic supply capacity.
- The commissioning of Eclipse, our new state-of-the-art 100 million brick capacity clay brick plant progressed as planned.
- We continue to see a gradual increase in market share in concrete roof tiles, reflecting our innovative product portfolio.

In November 2018, we successfully completed the disposal of our US segment for an enterprise value of $110 million, equating to over eight times Glen-Gery's last 12 months, as reported, adjusted EBITDA to June 2018.

Further details of performance against the Company's key performance indicators are detailed on pages 26 and 32 and the Financial Review on pages 52 to 55.

Directors' Remuneration Report

Tracey Graham
Chair of the Remuneration Committee

Dear Shareholder,

As the Chair of the Remuneration Committee ("the Committee"), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

2018 has been a year of challenge and consolidation for the Group, with our July trading statement and the sale of Glen-Gery in November. The Group continued to show strong cash generation and we paid our first supplementary dividend to shareholders, which is an important milestone for the business and demonstrates our commitment to shareholder returns.

As previously disclosed in the 2017 Remuneration Report, Wayne Sheppard was succeeded as Chief Executive Officer by Joe Hudson, formerly Managing Director, Cement & Concrete Products at Aggregate Industries UK, who joined the Board as Chief Executive Officer Designate in January 2018. Wayne stepped down from the Board as Chief Executive Officer, with Joe succeeding him as CEO from 4 April 2018.

After over 30 years with the Group, including the last three as Chief Financial Officer of Ibstock plc, Kevin Sims announced his intention to retire in 2019. I would like to personally thank Kevin for his significant contribution to Ibstock's performance. Kevin played an important role in Ibstock's successful listing on the London Stock Exchange in 2015 and the Group's subsequent development. He will be succeeded as CFO by Chris McLeish, currently Group Vice President Finance and Control at Tate & Lyle plc. Further to the standard remuneration terms defined in line with the Remuneration Policy it was agreed to buy-out, on a fair-value basis, the value forgone by Chris in respect of incentive awards which are forfeit on cessation of employment with his previous employer. Full details of his remuneration will be disclosed in the 2019 Annual Report. Kevin will work with Chris to ensure an orderly succession and a smooth handover over the course of 2019.

In 2018 we also welcomed Louis Eperjesi and Claire Hawkings as Non-Executive Directors and members of the Remuneration Committee. Louis is the Chief Executive Officer of Tyman plc. Claire is a member of the Executive Committee of Tullow Oil plc. Both appointments will be of great benefit to Ibstock as we continue to develop our business.

Incentive outcomes in 2018

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

The annual bonus for our Executive Directors, which is based 60% on the Group's financial performance, 20% on strategic measures and 20% on individual objectives, paid out at 29.5% to 32.5% of maximum opportunity. Further details of the annual bonus targets for the year and performance against those targets are provided on page 98.

No long-term incentive plan ("LTIP") award vested in the year. The first grant of LTIP awards was made in 2016 and is due to vest in April 2019. As the performance period for the 2016 LTIP award has not yet been completed as at 31 December 2018, performance assessment and vesting levels will be disclosed in the 2019 Directors' Remuneration Report.

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

2019 Directors' Remuneration Policy

The current Remuneration Policy was approved at the 2016 AGM on 26 May 2016 and the Committee believe that it has supported Ibstock's business and remuneration strategy well.

In 2018 the Remuneration Committee undertook a review of the Company's reward framework and concluded that the current Policy, which has worked well for the past three years, remains overall fit for purpose for the next three years. Therefore, the new Policy we are proposing will operate similarly.

The following key changes are proposed:

- a reduction in maximum pension contributions for new appointments;
- introducing a compulsory minimum level of bonus deferral;
- increasing the maximum LTIP opportunity for awards granted in 2020 onwards (subject to performance);
- increasing shareholding requirements so that they are aligned across the Board; and
- introducing a post-cessation shareholding requirement.

These proposed changes reflect the Committee's efforts to demonstrate best practice Corporate Governance whilst ensuring the Company has a competitive market positioning. Full details of the proposed changes to the 2019 Directors' Remuneration Policy are set out in the "At a glance" section on page 84. This Policy will be put to shareholders at the 2019 AGM.

The Company's remuneration strategy is designed to motivate our senior leaders to deliver strategic objectives, ensure customer focus based on quality and consistency, and to drive long-term value for our shareholders. These core elements are captured in our incentive framework for the Executive Directors. Further details of how our incentives and their measures align to the Company's key strategic priorities can be found on page 88.

Remuneration Committee decisions made during 2018

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

- The Committee reviewed the Company's Remuneration Policy and prepared for the shareholder consultation process in early 2019. The proposed changes are primarily a series of adjustments which aim to ensure that the overall Policy remains aligned with best practice and the 2018 UK Corporate Governance Code (the "2018 Code"). Full details of the proposed changes are set out on page 84.
- Changes to the 2018 Code have been considered when drafting disclosures for the Directors' Remuneration Report. Further changes will be considered by the Committee in 2019 to ensure full compliance with the 2018 Code.
- The Committee carefully considered a number of factors influencing the pay review, including inflation, market conditions and underlying financial performance. It was resolved that a salary increase of 2.5% would be awarded to the Chief Executive Officer and Chief Financial Officer, in line with the increase provided to the employee population. Fee increases of 2.5% were also awarded to the Chairman and Non-Executive Directors. Further details on how our Remuneration Policy will be applied in practice for the 2019 financial year are set out on page 106.
- The Committee determined that the Chief Executive Officer and Chief Financial Officer should receive an annual performance bonus in respect of 2018 equal to 36.9% to 40.6% of base salary (29.5% to 32.5% of maximum opportunity), reflecting performance against the measures for the year.
- 2018 LTIP awards of 100% of salary were granted to Joe Hudson and Kevin Sims. 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 101. No LTIP award vested in the year as the first awards under the plan were made in 2016 and will vest in April 2019.
- To facilitate his recruitment and in accordance with the Policy and the terms agreed with Joe Hudson, the Company determined to buy out certain share awards with his previous employer which lapsed on his cessation of employment. Further details of the buyout package granted can be found on page 101.
- The Committee reviewed its Terms of Reference to align with the 2018 Code.

Fairness and diversity

Creating a thriving and diverse workforce is a high priority for our business. However we recognise that we operate in an industry that historically has been associated with certain inherent challenges around diversity. We are fully committed to embracing the new developments in regulation and best practice to ensure that we, as a business, are contributing to the shift in the industry's outlook and approach from the perspective of gender equality and diversity of skills, background and knowledge. In 2018 we introduced a number of initiatives focused on supporting women at Ibstock at the start of their career as well as at more senior levels in the organisation. Further detail on these initiatives is provided on page 85.

Shareholder engagement

In light of the Company's policy review we are consulting with shareholders in early 2019 to ensure their continued support with regards to our executive remuneration structure.

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

We monitor shareholder reaction and commentary regarding our remuneration practices. At the recent Annual General Meetings shareholders voted overwhelmingly in favour of our current Remuneration Policy and the 2017 Remuneration Report (with 99.36% and 99.58%, respectively). The details of the voting outcomes are presented on page 105.

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

4 March 2019

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

- The Annual Statement by the Remuneration Committee Chairman and associated "At a glance" section;
- The proposed Directors' Remuneration Policy; 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 2018 financial year.

The Directors' Remuneration Policy will be subject to a binding vote at the AGM on 23 May 2019. The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 23 May 2019.

At a glance

Introduction
In this section, we:

1 – set out the remuneration outcomes for the 2018 financial year;

2 – set out the key changes to our 2019 Remuneration Policy and its linkage to our corporate strategic objectives; and

3 – set out our fairness, diversity and wider workforce considerations.

2018 financial year
Remuneration outcomes in 2018 reflect the challenges which we experienced as a business during the year. Having considered all of the relevant factors, the Committee is satisfied that remuneration paid to our Directors and senior management in 2018 was appropriately aligned to the underlying business performance.

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

Executive Directors	2017 total	2018 total
Joe Hudson (CEO)[1]	n/a	£775,307
Wayne Sheppard (outgoing CEO)[2]	£906,300	£183,640
Kevin Sims (CFO)	£625,223	£491,232

1 Joe Hudson joined the Board on 2 January 2018 and became the CEO on 4 April 2018.
2 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018. His bonus and remuneration have been pro-rated to reflect this.

The single total figure of remuneration table containing information for the 2017 and 2018 financial years for the Executive Directors and Non-Executive Directors is set out in detail on page 98.

Annual bonus outcomes
Our 2018 bonus outcomes outlined below reflect the performance measures and targets put in place during the 2018 financial year and their level of satisfaction. The bonus measures for the Executive Directors are aligned to the Company's key performance indicators ("KPIs") which are outlined on pages 26 and 32.

	Bonus value achieved		
2018 bonus measures	Joe Hudson[1]	Wayne Sheppard[2]	Kevin Sims
Adjusted EBITDA (20%)	£Nil	£Nil	£Nil
Adjusted Operating Cash Flow (20%)	£Nil	£Nil	£Nil
ROCE (20%)	£Nil	£Nil	£Nil
Net Promoter Score (10%)	£13,594	£3,468	£9,475
Lost Time Accidents (10%)	£54,375	£13,872	£37,900
Personal objectives (20%)	£108,750	£27,743	£64,429

1 Joe Hudson joined the Board on 2 January 2018 and became the CEO on 4 April 2018.
2 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018. His bonus has been pro-rated to reflect this.

Having considered company performance, the Committee concluded that it would be appropriate to award bonuses to the Executive Directors in respect of the non-financial and personal annual bonus targets. The CEO was awarded a bonus of 40.6% of salary and the CFO was awarded a bonus of 36.9% of salary. The outgoing CEO was awarded a bonus of 40.6% of his pro-rated salary. Full details of the bonus targets and performance against these are set out on page 99.

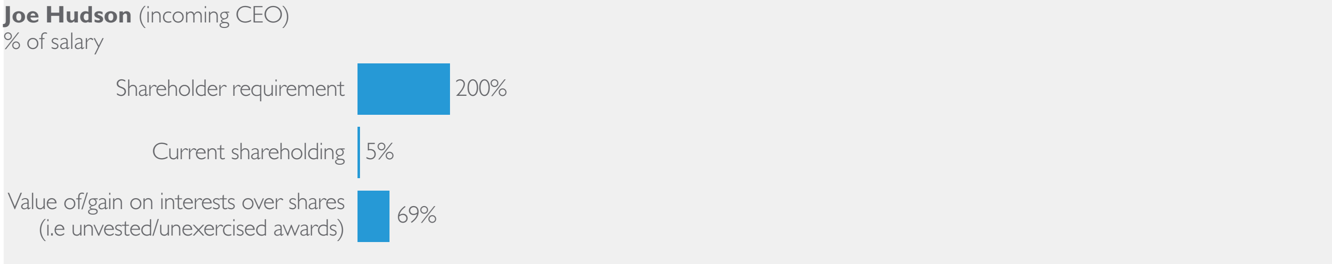
Two-thirds of the 2018 bonus will be paid in cash and one-third will be deferred into shares for a period of three years.

LTIP outcomes
No long-term incentive plan ("LTIP") award vested in the year. The first grant of LTIP awards was made in 2016 and will vest in April 2019. As the performance period for the 2016 LTIP award had not yet been completed as at 31 December 2018, performance assessment and vesting levels will be disclosed in the 2019 Directors' Remuneration Report.

Equity exposure of the Executive Directors
The Chief Financial Officer has a shareholding substantially in excess of the Company's minimum shareholding requirements, which is proposed to be 200% of base salary for both Executive Directors under the 2019 Policy. The Chief Executive Officer, having only joined the Company last year, is expected to build up his shareholding over the next five years.

The following chart sets out all subsisting interests in the equity of the Company held by the Executive Directors as at 31 December 2018.

Shareholding requirements as % of salary



The number of shares of the Company in which Directors had a beneficial interest as at 31 December 2018 are set out in detail on page 103. In line with the proposed Directors' Remuneration Policy interests which count towards the shareholding requirement include deferred shares at their net-of-tax value and shares subject to a holding period at their full value.

Summary of changes to the Directors' Remuneration Policy

Remuneration element	Current Policy/ operation	Changes to Policy	Rationale
Pension	– Current level for Executive Directors is 20% of salary.	– Reduce maximum from 20% to 10% of salary for new joiners.	– The Committee will keep pension contribution levels under review seeking to bring the level of pension allowance for Executive Directors in line with what is provided to all employees.
Annual bonus	– The current Policy allows for deferral of up to 50% of the bonus with no minimum level of deferral. – Current practice is two-thirds paid in cash and one-third deferred into shares.	– Formally introduce a minimum level of deferral of one-third of the bonus.	– This change ensures that the current operation of one-third deferral remains in place for the duration of the proposed Policy. – Any dividends will be awarded in shares to strengthen the long-term focus of the incentives.
LTIP	– Maximum opportunity of 100% of salary. – Current levels are 100% of salary for the CEO and the CFO. – Exceptional circumstances maximum is 150% of salary. – Awards vest after three years. – Post-vesting holding period applied to 2018 awards. – TSR comparator group is the FTSE 250 excluding financial services, real estate and investment trusts.	– Increase the maximum opportunity to 150% applied to awards granted starting from 2020 to provide a competitive package. – Increase the exceptional circumstances maximum award level to 200% of salary from 2020. – For the avoidance of doubt, the intention is only to use this exceptional maximum award for recruitment purposes. – Introduction of a mandatory two-year post-vesting holding period applying to all awards made from 2019. – The Committee may award dividend equivalents in shares on awards to the extent that these vest. – Change TSR comparator group to FTSE 250 construction and building materials sector companies.	– The increase reflects the need to provide a competitive total package aimed at motivating key executives to deliver against strategy. The increase will be operated from 2020 subject to satisfactory performance. – The Committee has been operating the two-year post-vesting holding period which was formalised in the new Policy. This is in line with the changes to the 2018 Code such that the total time period between grant and release of shares is 5 years. – Any dividends will be awarded in shares to strengthen the long-term focus of the incentives. – The proposed change to the TSR comparator group is intended to improve alignment between executives' performance and the comparator group, which is better correlated to the business than the broader FTSE 250 Index.
Minimum shareholding requirement	– CEO: 200% of salary – CFO: 150% of salary – To be built up over five years from appointment.	– Increase shareholding requirement for CFO to 200% of salary. – The shareholding definition includes deferred shares at their net-of-tax value and shares subject to a holding period at their full value.	– The Committee recognises the importance of aligning the long-term interests of Executive Directors with shareholders.
Post-cessation shareholding requirement	– No formal Policy.	– Introduction of a post-cessation of employment shareholding requirement of 100% of pre-cessation shareholding requirement for one year following cessation, reducing to 50% for a second year.	– This change is in line with the 2018 Code changes and The Investment Association's updated guidelines. – The proposed change will strengthen alignment between the long-term interests of Executive Directors and shareholders.

Fairness, diversity and wider workforce considerations

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

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

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

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

Remuneration and its link to the Company's objectives

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

The Company uses a number of remuneration comparison measurements to assess fairness of pay structures across the Group. Detailed disclosure of our approach to fairness, diversity and wider workforce considerations is presented above on this page. In setting the 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. The Committee will continue to monitor external remuneration developments closely and intends to embrace these changes and continue to comply with best practice reporting requirements as they come into force.

Area	Considerations
Pay comparisons	CEO ratio

Year	Method	Lower Quartile ratio	Median ratio	Upper Quartile ratio
2018	Option A	30:1	24:1	19:1

As part of our commitment to fairness, we have chosen to report the ratio of CEO single figure pay to the pay of our employees for 2018. We have calculated the ratios set out above using Option A, as described in the Directors' Remuneration Reporting Regulations.

CEO pay in the last four years

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

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

1 No award under the LTIP has yet vested. The vesting of the first award will be in April 2019.
2 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his remuneration has been pro-rated to reflect this.
3 Joe Hudson became CEO on 4 April 2018. His single figure includes compensation paid to him in 2018 in his capacity as the CEO.

Percentage change in CEO's remuneration

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2017 and 2018 compares with the percentage change in the average of each of those components of pay for the employees in continuing operations.

	Salary			Taxable benefits			Bonus		
Year	2017 £'000	**2018 £'000**	Percentage change	2017 £'000	**2018 £'000**	Percentage change	2017 £'000	**2018 £'000**	Percentage change
CEO[1]	434	**435**	0.1%	22	**20**	-12%	318	**177**	-44%
Average per eligible employee[2]	36	**39**	8%	5	**6**	25%	24	**12**	-49%

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

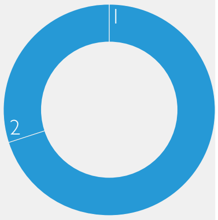
Area | Considerations

Gender pay

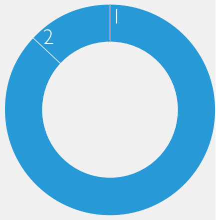
The UK Government Equalities Office legislation requires employers with 250 or more employees in the UK to disclose annually information on their gender pay gap. The second disclosure of the pay gap is based on amounts paid in the year to 5 April 2018. The bonus gap is based on incentives paid in respect of the year to 5 April 2018. As Ibstock Brick is the largest employing entity, we have chosen to report these figures in this report. We are committed to regular analysis and monitoring of pay where we will continue to work to remedy any gap that we have.

The mean gender pay gap at Ibstock Brick is 17.0% which is slightly lower than the UK average of 17.4%. We continue to work hard to encourage more females into the business. Our current employee population reflects the traditional nature of the industry, with 86% of roles being occupied by men, including a high percentage of males employed in factory based production roles. This can clearly be seen in the quartiles set out below, which show the number of male and female employees in each pay quartile:

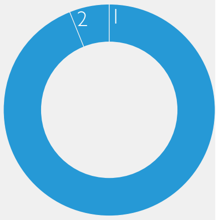
Quartile A (lowest)
1 Male: 70%
2 Female: 30%



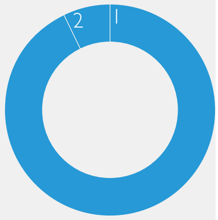
Quartile B
1 Male: 87%
2 Female: 13%



Quartile C
1 Male: 94%
2 Female: 6%



Quartile D (highest)
1 Male: 93%
2 Female: 7%



Note: The figures quoted above are for the Ibstock Brick entity of Ibstock plc only.

Diversity policy

Our Diversity and Inclusion and range of Family Friendly and Flexible Working policies have been developed to make sure we have harmonious working environments, where every person can grow their skills and thrive together to share in our success. They also ensure that all job applicants, employees and other workers (such as agency staff and consultants) are treated with dignity and respect regardless of any personal characteristics or circumstances.

We have worked closely with our engineering apprenticeship partners, the EEF, to attract a more diverse range of applicants, in particular females, for our engineering apprenticeship programmes. We are pleased to report that this focused approach has enabled us to recruit our first two female engineering apprentices, who joined us in 2018. We have also recently made two senior leadership appointments and both roles have been filled by women. Our internal networking "Women in Business" group, formed in 2017, continues to be very active and the women within the group take their responsibilities seriously, both in terms of networking and mentoring other women from across the business.

In 2018 we conducted a major review of all compliance policies operated by the Company which cover equality and diversity and our commitment to the prevention of discriminatory practices, procedures and attitudes in our business. These updated policies have been re-issued to our employees.

Directors' Remuneration Policy

Introduction

In accordance with the remuneration reporting regulations, the Directors' Remuneration Policy (the "Policy") as set out below will become formally effective at the AGM on 23 May 2019, subject to shareholder approval and will apply for the period of three years from the date of approval.

Our Remuneration Policy and its link to our Group strategy

The Group's strategy is laid out below.

Ensuring the alignment of the Remuneration Policy to the Company's strategy remains key for the Remuneration Committee in operating the 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.
- To deliver long-term sustainable growth.
- To adopt UK Corporate Governance best practice and ensure a clear linkage between remuneration outcomes and overall corporate performance.

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

Strategic priorities

Remuneration Policy	**Sustainable performance** Health and Safety, people, manufacturing excellence and continuous improvement, sustainability, structure and capability	**Selective growth** Grow/balance the portfolio, review geographies, organic growth and debottlenecking and selective M&A.	**Market-led innovation** Marketing and innovation, commercial excellence, new value propositions and supply chain focus.	Equity ownership and retention of shares	Retain and reward the Executive team to deliver the strategy
Annual bonus The maximum bonus (including any part of the bonus deferred into an Annual Deferred Bonus Plan ("ADBP") Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	✓ **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.	✓ **Return on Capital Employed ("ROCE"), Adjusted EBITDA, Adjusted Operating 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.	✓ **ROCE, Adjusted EBITDA, Adjusted Operating Cash Flow, NPS** The efficient development of innovative products measured through ROCE and NPS performance will be reflected in increased profitability and cash flow.	✓	✓
LTIP Maximum annual award is normally 150% of salary. Awards will vest at the end of three years. For 2019, the performance conditions for awards are equally weighted between: – Adjusted Earnings per Share ("EPS") growth; and – comparative Total Shareholder Return ("TSR").		✓ **Adjusted EPS, 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.	✓ **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).	✓	✓
Share Incentive Plan ("SIP")				✓	✓
The Sharesave Plan ("SAYE")				✓	✓
Minimum shareholding requirements – CEO: 200% of salary. – CFO: 200% of salary.				✓	✓

Remuneration Policy table

The 2019 revised Remuneration Policy that will be put to a vote at the AGM on 23 May 2019 is outlined below.

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Maximum opportunity
Base salary	Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: – 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.	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Ibstock, validated against companies operating in a similar sector. The companies in the comparator group are organisations in the FTSE 250 excluding financial services, real estate and equity investment trusts. The Committee intends to review the comparator groups each year and may add or remove companies from the group as it considers appropriate. Any changes to the comparator group will be in the section headed Implementation of Remuneration Policy, in the following financial year. In general, salary increases for Executive Directors will be in line with the increase for employees across the Group. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.
Changes from previous Policy: – None.			
Benefits	Provides a benefits package in line with practice relative to its comparator group to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Executive Directors receive a company car or car allowance, private health cover and death in service cover. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may be offered such as relocation allowances on recruitment. The maximum will be set at the cost of providing the benefits described.	See description of benefits in the previous column. The maximum will depend on the cost of providing the relevant benefits. The Company has monitoring practices in place to ensure spend on benefits is efficient.
Changes from previous Policy: – No changes to policy, however additional disclosure is provided on determining the value of benefits.			
Pensions	Provides retirement benefit to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Company operates a defined contribution arrangement for Executive Directors.	The maximum contribution into the defined contribution plan or salary supplement in lieu of pension is 10% of gross basic salary for new joiners. The Committee intends to keep this under review going forward so as to align with the broader employee population. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the pension contributions for that year for each of the Executive Directors. When recruiting or promoting new Executive Directors the Committee will aim to align the pension contribution allowance to be provided with the level of employee pension contribution. If the circumstances require an alternative approach to be used, for example to reflect an existing entitlement on internal promotion, this will be fully explained in the relevant Annual Report.
Changes from previous Policy: – Changes reflect the closure of the defined benefit pension arrangement in January 2017. – Maximum pension contribution for newly recruited Executive Directors reduced from 20% to 10% to align with the levels provided to employees.			

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
Annual and Deferred Bonus Plan ("ADBP")	The ADBP provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the ADBP supports the Company's objectives allowing the setting of annual targets based on the businesses' strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable. The Committee has discretion to defer part of the annual bonus earned in shares under the ADBP. The advantage of deferral is: – increased alignment between Executives and shareholders created through deferral and the increased equity stake of management in the Company; and – amounts deferred in shares are subject to a Director's continued employment, which provides an effective lock-in.	The maximum bonus (including any part of the bonus deferred into an ADBP Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary. The Board will determine the bonus to be delivered following the end of the relevant financial year. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weightings for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Committee will determine each year what part of the bonus earned under the ADBP is provided as an award of deferred shares. The minimum value of deferred shares is one-third of the bonus earned. The main terms of these awards are: – minimum deferral period of three years, during which no performance conditions will apply; and – the participant's continued employment at the end of the deferral period. The Committee may award dividend equivalents in shares to plan participants to the extent that they vest.	The maximum bonus (including any part of the bonus deferred into an ADBP Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary. Percentage of maximum bonus earned for levels of performance: – Threshold: 0% – On-target: 50% – Maximum: 100% The annual bonus will be paid in cash and deferred shares.	An award under the ADBP is subject to satisfying financial and strategic/operational performance/personal performance conditions and targets measured over a period of one financial year. A minimum of 50% of the targets will be financial. The Board will determine the bonus to be delivered following the end of the relevant financial year. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the ADBP in advance would not be in shareholders' interests. Actual targets, performance achieved and awards made will be published at the end of the relevant performance period so shareholders can fully assess the basis for any pay-outs under the annual bonus. The Committee has discretion to: – in exceptional circumstances change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and – make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believe that the bonus outcomes are not a fair and accurate reflection of overall business performance. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Committee will consult with leading investors if appropriate before any exercise of discretion to increase the bonus outcome. The ADBP contains clawback and malus provisions.

Changes from previous Policy:

- Compulsory bonus deferral of one-third of the bonus earned. A codification of current practice rather than a change.
- Any dividend equivalents will be awarded in shares.
- Remuneration Committee discretion has been amended to ensure overriding discretion may be applied other than just in "exceptional circumstances".

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ("LTIP")	The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy. This will better align Executive Directors' interests with the long-term interests of the Group and act as a retention mechanism. The use of comparative TSR measures the success of the implementation of the Company's strategy in delivering an above market level of return. The use of Adjusted EPS ensures Executive Directors are focused on long-term financial performance to ensure this flows through to long-term sustainable Adjusted EPS growth.	Awards are granted annually to Executive Directors in the form of a conditional share award, nil cost option or restricted share award. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of Remuneration Policy, in the future financial year. These will vest at the end of a three-year period subject to: – the Executive Director's continued employment at the date of vesting; and – satisfaction of the performance conditions. The Committee may award dividend equivalents in shares on awards to the extent that these vest. A post-vesting holding period of two years will apply for the LTIP.	Normal maximum value in 2019 is 100% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the LTIP. In exceptional circumstances the Committee may grant an award with a maximum of 150% of salary. From 2020 the normal maximum value will be set at 150% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the LTIP. In exceptional circumstances the Committee may grant an award with a maximum of 200% of salary. For the avoidance of doubt, the intention is only to use this exceptional maximum for recruitment purposes. 25% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight-line vesting between these points.	The performance conditions for the 2019 LTIP awards are Adjusted EPS growth and comparative TSR. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Committee has the discretion to: – in exceptional circumstances, vary, substitute or waive the performance conditions applying to LTIP awards if the Board considers it appropriate and that the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions; and – make downward or upward adjustments to the vesting of the LTIP resulting from the application of the performance measures if the Committee believes that the outcomes are not a fair and accurate reflection of overall business performance. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the vesting outcome. The LTIP contains clawback and malus provisions. The Relative Total Shareholder Return comparator group will include FTSE 250 construction and building materials sector companies (previously FTSE 250 excluding financial services, real estate and investment trusts). In addition, the Committee will be considering the inclusion of ROCE as an LTIP performance condition for awards granted in 2020 onwards. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.

Changes from previous Policy:

- Maximum level of annual LTIP opportunity is increased from 100% to 150% from 2020. Maximum level of LTIP award in exceptional circumstances increased from 150% to 200% from 2020.
- Holding period on LTIP awards is compulsory.
- Any dividend equivalents will be awarded in shares.
- Remuneration Committee discretion has been amended to ensure overriding discretion may be applied other than just in "exceptional circumstances".
- The Relative Total Shareholder Return comparator group will include FTSE 250 construction and building materials sector companies (previously FTSE 250 excluding financial services, real estate and investment trusts).

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
Share Incentive Plan ("SIP")	The SIP is an all-employee share ownership plan which has been designed to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.	The Company operates a SIP in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff). The Executive Directors shall be entitled to participate in any other all employee arrangement implemented by the Company.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The Company in accordance with the legislation may impose objective conditions on participation in the SIP for employees.

Changes from previous Policy:

– None.

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Maximum opportunity	Performance metrics
The Sharesave Plan ("SAYE")	The Sharesave Plan is an all-employee savings related share option plan which has been designed to enable UK employees to acquire an interest in the Company and thus align their interests with shareholders.	The Company operates a Sharesave Plan in which the Executive Directors are eligible to participate (which is in line with UK legislation and is open to all eligible staff). To obtain an option an eligible individual must agree to save a fixed monthly amount for three or five years up to the maximum monthly amount under HMRC limits. The amount saved will determine the number of shares over which the option is granted. Options may be exercised in a six-month period at the maturity of a three- or five-year savings period, subject to continued service.	The maximums set by the UK legislation from time to time.	The Company in accordance with the legislation may impose objective conditions on participation in the Sharesave Plan for employees.

Changes from previous Policy:

– None.

Minimum shareholding requirement

The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of base salary. This will include deferred shares at their net-of-tax value and shares subject to a holding period at their full value.

Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The following table sets out the minimum shareholding requirements:

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

The Committee retains the discretion to increase the shareholding requirements.

In addition, a post-cessation minimum shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold 100% of their pre-cessation shareholding requirement for one year from leaving, reducing to 50% for a second year.

Changes from previous Policy:

– An increase in the shareholding requirement for the CFO from 150% of salary to 200% of salary.
– Clarification of the methodology for calculation of shares satisfying the shareholding requirement.
– The introduction of a post-cessation shareholding requirement for Executive Directors equal to the full requirement for a period of one-year post-cessation, reducing to 50% for another year.

Non-Executive Director remuneration

Element of remuneration	How it supports the Company's short- and long-term strategic objectives	Operation	Opportunity	Performance metrics
Non-Executive Director and Chairman fees	Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chairman with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees. 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. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Fees are set at broadly the median of the comparator group. Non-Executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements other than reimbursed expenses.	The fees for Non-Executive Directors and the Chairman are set at broadly the median of the comparator group. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.	None.

Changes from previous Policy:

– None

Performance conditions and targets

Performance measures for the ADBP and the LTIP are chosen to ensure alignment with strategic priorities (see table on page 88) and delivery against key financial and operational objectives. Targets are set by reference to the approved budget, market practice and analysts' expectations.

Differences in policy from the wider employee population

The Company aims to provide a remuneration package for all employees that is market competitive and operates a similar core structure as for the Executive Directors. The Executive Directors' annual scorecard is devolved down into the management line with an increasing emphasis on the divisional performance. All employees are encouraged to participate in the share plans operated by the Company, ensuring a consistent reward framework. Detailed description of the cascade of incentives is presented on page 85.

Malus and clawback

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

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

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

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

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

	Annual bonus	Deferred bonus	Long-Term Incentive Plan
Malus	Up to the date of payment of a cash bonus	To the end of the 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 current remuneration policy and policies prior to Admission will be honoured. Those areas that differ are being addressed to bring them into line with the proposed policy, where appropriate.

Recruitment policy

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

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

Remuneration element	Recruitment policy
Salary, benefits and pension	Salary and benefit levels will be set in line with the policy for existing Executive Directors. New promotes and recruits to the Board may on occasion have their salaries set below the targeted policy level while they become established in their role. In such cases salary increases may be higher than the increase for the general workforce of the Company until the target market positioning is achieved. Maximum pension contribution for new recruits will be set at 10% of salary. The Committee will keep pension contribution levels under review seeking to bring the level of pension allowance for Executive Directors in line with what is provided to all employees.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 125% of salary.
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary in normal circumstances and 200% of salary in exceptional circumstances.
Maximum variable remuneration	The maximum variable remuneration which may be granted in normal circumstances is 275% of salary (325% of salary if the maximum LTIP grant is made).
"Buyout" of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: – the proportion of the performance period completed on the date of the Executive Director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and conditions having a material effect on their value ("lapsed value"). The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

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

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

Payment for loss of office

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

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

Remuneration element	Treatment on cessation of employment
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.

Remuneration element	Good leaver reason[1]	Other reason	Discretion
ADBP cash awards	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for year of cessation.	The Committee has the following elements of discretion: – to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and – to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
ADBP share awards	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: – to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.
LTIP	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Committee has the following elements of discretion: – to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

1 A good leaver reason is defined as cessation in the following circumstances:
– death;
– ill-health;
– injury or disability;
– redundancy;
– retirement;
– employing company ceasing to be a Group company;
– transfer of employment to a company which is not a Group company; and
– at the discretion of the Committee (as described above).
Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of control

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

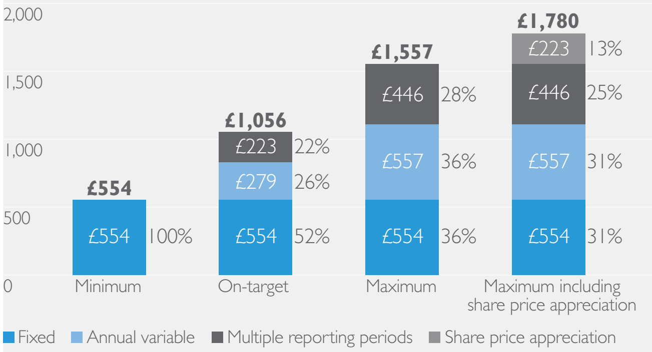
Name of incentive plan	Change of control	Discretion
ADBP cash awards	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the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

Illustrations of the application of the Remuneration Policy

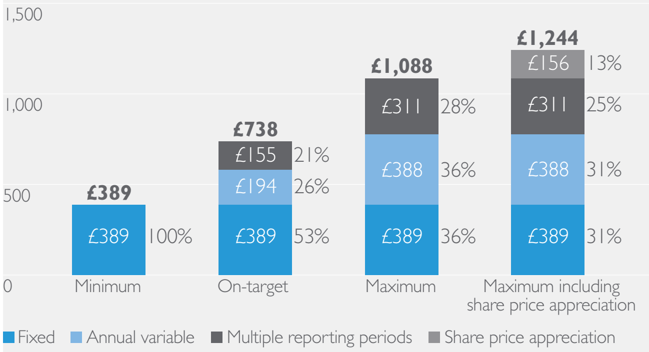
The charts below illustrate the total remuneration that would be paid to each of the Executive Directors, based on salaries at the start of the 2019 financial year, under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. The charts also show the impact of a 50% increase in share price on the LTIP outcome.

The following table sets out the assumptions used to calculate the elements of remuneration for each of these scenarios. The elements of remuneration have been categorised into components as follows: (i) fixed; (ii) annual bonus (deferred bonus); (iii) LTIP; and (iv) share price gain.

Joe Hudson (CEO)
£'000



Kevin Sims (CFO)
£'000



Element	Description	Minimum	On-target	Maximum	Maximum including share price appreciation
Fixed	Salary[1], benefits and pension[2].	Included.	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.	100% of maximum bonus.
LTIP	Award under the LTIP. Maximum annual award of 100% of salary (noting that under the new Remuneration Policy, the LTIP award may increase to 150% of salary from 2020, subject to performance).	No multiple year variable.	50% of the maximum award.	100% of the maximum award.	100% of the maximum award.
Share price gain	The impact of the 50% share price increase on the LTIP outcome.				50% of the maximum value of the LTIP award.

1 Salary is Full Year 2019 base salary.
2 Based on 2018 benefits payments and pension values as per the proposed 2019 Policy.

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 in place an SAYE Scheme and a SIP. Currently, under these Plans all UK employees have the opportunity to purchase shares in the Company subject to certain restrictions. We provide detailed information on the pay arrangements for the wider workforce on page 85.

The Committee's remit extends down to Executive and senior management for which it recommends and monitors the level and structure of remuneration. While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, when making decisions in relation to the structure of executive pay the Committee takes into account conditions elsewhere in the Company.

The table on page 85 demonstrates how key objectives are reflected consistently in plans operating at all levels within the Company.

Statement of consideration of shareholder views

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

In light of the Company's policy review we consulted with shareholders in early 2019 to seek their views on the proposed changes to the Remuneration Policy and its implementation. We are pleased to be able to report that the major shareholders consulted who expressed views were supportive of the proposed policy and its operation.

In addition, we will continue to engage with our shareholders in a two-way communication process to maintain their support and to ensure we have a transparent executive reward structure aligned to shareholder experience.

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

Executive Directors

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

1 Stepped down on 4 April 2018.

Non-Executive Directors

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

1 Stepped down at 2018 AGM on 24 May 2018.

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

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

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

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

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 2018 financial year to 31 December 2018.

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

Executive Directors	Period	Salary	Taxable benefits[1]	Bonus	LTIP[2]	Pension[3]	Other[4]	Total
Joe Hudson (CEO)[5]	2018	£435,000	£18,996	£176,719	n/a	£87,000	£57,592	£775,307
Joe Hudson (CEO)	2017	–	–	–	–	–	–	–
Wayne Sheppard (outgoing CEO)[6]	2018	£110,974	£5,388	£45,083	n/a	£22,195	–	£183,640
Wayne Sheppard (outgoing CEO)	2017	£434,350	£22,375	£317,551	n/a	£132,024	0	£906,300
Kevin Sims (CFO)	2018	£303,197	£15,592	£111,804	n/a	£60,639	0	£491,232
Kevin Sims (CFO)	2017	£296,380	£15,676	£220,387	n/a	£92,780	0	£625,223

1 Taxable benefits included company car allowance, private health cover and death in service cover.
2 No LTIP award vested in the year. The first grant of LTIP awards was made in 2016 and will vest, subject to performance, in April 2019.
3 Comprises of the value of Defined Benefit Pension Scheme ("DB") accruals (for 2017 only) and salary supplements in lieu of pension. Details of the closed DB scheme were disclosed in the 2017 Directors' Remuneration Report and on page 102.
4 For Joe Hudson this includes a buyout award granted in 2018 to Joe Hudson to compensate, on a fair value basis, the value forgone for share awards forfeited on cessation of employment with his previous employer. For details regarding the buyout award please see page 101.
5 Joe Hudson joined the Board on 2 January 2018 and became the CEO on 4 April 2018.
6 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018. His remuneration has been prorated to reflect this.

Taxable benefits (Audited)

Benefits in the 2018 financial year comprised a company car allowance, private health cover and death in service cover. Joe Hudson, Wayne Sheppard and Kevin Sims received car allowances of £18,000, £20,000 and £15,000 per annum, respectively.

Bonus (Audited)

Details of the targets used to determine bonuses in respect of the 2018 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Performance condition[1]	Weighting	Threshold performance required	Maximum performance required	Actual performance	Percentage of maximum performance achieved[2]	Bonus value achieved		
						Joe Hudson[4]	Wayne Sheppard[5]	Kevin Sims
Adjusted EBITDA	20%	£114.7m	£125.6m	£112.4m	0%	£Nil	£Nil	£Nil
Adjusted Operating Cash flow	20%	£84.7m	£95.6m	£61.0m	0%	£Nil	£Nil	£Nil
ROCE	20%	18.7%	21.0%	17.9% 6	0%	£Nil	£Nil	£Nil
NPS (Net Promoter Score)	10%	42%	46%	43%	2.5%	£13,594	£3,468	£9,475
LTAs (Lost Time Accidents)[3]	10%	19	16	16	10%	£54,375	£13,872	£37,900
Personal objectives	20%	Achievement of the personal objectives for 2018 are outlined below.			17%-20%	£108,750	£27,743	£64,429
Total	100%				29.5%-32.5%	£176,719	£45,083	£111,804

1 Performance targets have been reviewed to exclude Glen-Gery following its disposal in 2018. This is consistent with the financial metrics reported in the other sections of this Annual Report.
2 Under the terms of the 2018 annual bonus, 0% for each element is payable for achieving the threshold performance, 50% for achieving target performance and 100% for achieving maximum performance. One third of any bonus is deferred for three years into Company shares subject to continued employment.
3 Comprises employees and contractors.
4 Joe Hudson joined the Board on 2 January 2018 and became the CEO on 4 April 2018.
5 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018. His bonus has been prorated to reflect this.
6 Figures for the Group's ROCE performance differ from those reported on page 26 due to differing adjustments made for the restatement for discontinued operations.

As noted earlier in this report, during 2018 the Company's performance has been influenced by a number of adverse external and internal factors which resulted in the trading update issued in July 2018. This resulted in the Company missing the targets which had been set at the start of the year in respect of the financial elements in the FY18 annual bonus scorecard. In seeking to ensure that reward outcomes are appropriately aligned with the Company performance and shareholders' experience, the Committee carefully considered whether to award any bonus in respect of the FY18.

In making its decision the Committee considered the following factors to be relevant:

- The CEO is new in role and has performed well against an unexpectedly challenging context and against a stretching set of personal targets, which were agreed with him at the beginning of the year;
- The Full Year 2018 budgets and targets were approved before the CEO assumed his role in April 2018. As such, the CEO was subject to bonus targets which he inherited, rather than being directly involved in determining;
- The CEO undertook a strategic review which recommended the sale of Glen-Gery. Following the review, the price achieved on the sale of Glen-Gery was towards the upper end of the range set by the Board;
- Performance against stretching non-financial targets has been positive, resulting in a bonus payment against these targets; and
- In line with the July trading statement, financial outcomes for the year ended 31 December 2018 are expected to be at the levels previously anticipated, with revenues from UK clay and concrete products being up 8% compared to 2017 with net debt reduced significantly compared to the prior year due to strong underlying cash generation. This creates a positive outlook for the future.

The Committee therefore concluded that it would be appropriate to award bonuses to the Executive Directors in respect of the non-financial and personal annual bonus targets. The CEO was awarded a bonus of 40.6% of salary and the CFO was awarded a bonus of 36.9% of salary. The outgoing CEO was awarded a bonus of 40.6% of pro-rated salary. Full details of the bonus targets and performance against these are set out on page 98.

Two-thirds of the 2018 bonus will be paid in cash and one-third will be deferred into shares for a period of three years.

Personal objectives for the Chief Executive Officer and Chief Financial Officer for the 2018 financial year and the associated outcomes are outlined below:

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Joe Hudson	Review and development of Executive Committee and senior leadership community.	– Review of Executive Committee and top 75 positions completed. – CFO succession plan completed. – Recruitment/replacement of several key Executive Committee roles (MD Brick; MD Concrete; CI Director; and Marketing Director). – Reorganisation of all concrete businesses into one division.	**100%** The Committee reviewed the objectives set at the beginning of the year against the above achievements and felt that the changes made to the Executive Committee justified the maximum bonus under this element.
	Complete market facing study on customers and supply chain.	– Review of routes to markets and segment attractiveness, which lead to the establishment of a marketing plan with phase one focusing on commercial excellence initiatives. – Completed additional changes to supply chain function in UK clay to improve service value and begin On Time In Full Invoiced Correctly ("OTIFIC") measures.	**100%** The Committee felt the study on customers had identified the need to focus on commercial excellence as evidenced in: product price, margin and range management, specification capability, and adjustments in route to market. The Committee has reviewed the changes in the supply chain resulting from this exercise and the proposed logistics optimisation and improvement in order cancellation with some customers reducing order cancellations from >30% to <5%. Therefore taking both elements into account the Committee feels that this part of the bonus has been earned in full.
	Identify new investment opportunities for each business.	– Capex to bring about improvements to identified maintenance plans in Brick, as well as enhancement projects for Brick and concrete of £20 million over 2019/20. – Options for new factory and planning permissions secured.	**100%** The Committee has seen the investment plan developed and has looked at evidence of its implementation. This includes the Capex improvement plans and the preparation of future large organic investment and enhancement projects targeting £5 million EBITDA by 2022. This has given the Committee sufficient evidence that this objective has been met in full.
	Successful property disposals.	– Completed four disposals well ahead of target: Severn Valley, Stourbridge, Keele, Kingsley (proceeds of over £16 million with FV profit of over £10 million).	**100%** The Committee has reviewed the disposal programme and indicative timeline, the book values of these properties and the premium received on their sale and it is therefore satisfied the objective is fully achieved.
	Strategic review of disposals and acquisition opportunities.	– Strategic review undertaken for US business with resulting preparation, project execution and successful disposal of the Glen-Gery business. – Review and development of a disciplined acquisition criteria and a pipeline of potential targets for both bolt-on and transformational M&A.	**100%** The Committee as part of the Board set the parameters for the disposal of Glen-Gery; the fact that the actual disposal for $110 million exceeded the guidance provided by the Board was as a result of the effort of the Executive team. The Committee has reviewed the pipeline in place and believes that the detail and granularity in the plan will ensure its successful implementation. Therefore, on balance across both elements the Committee feels that this objective was met in full.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to a 100% achievement for this element of the bonus (20% of maximum annual bonus opportunity).

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Wayne Sheppard	Handover to incoming CEO	– Achieved a smooth and timely handover to the incoming CEO. – Additional support provided as required.	**100%** The Committee reviewed the objective set at the beginning of the year against the above achievements and felt that the maximum bonus under this element should be awarded.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to a 100% achievement for this element of the bonus (20% of maximum annual bonus opportunity).

Name	Objective area	Progress against objectives	Assessment (% of maximum)
Kevin Sims	Support new CEO	– Worked with the new CEO and outgoing CEO to ensure a smooth handover was achieved and to support new CEO's transition. – Developed an effective working relationship with the new CEO.	**100%** The Committee assessed the working relationship between the CFO and newly appointed CEO, and are satisfied that these objectives were met in full.
	Supreme implementation	– Worked with the Managing Director of Ibstock Concrete Division and the Group Director of IT to ensure an acceptable plan is devised for the Supreme JDE implementation. Monitored progress and oversaw/resolved problems during the design and implementation of the UK ERP solution into the Supreme and Anderton concrete businesses. – Ensured that the user acceptance testing and training phases were effectively delivered ahead of final data conversion and cut over to the live system. Agreed with the Managing Director of Ibstock Concrete Division on the readiness for go-live, ensuring that business disruption and risk was avoided for the anticipated go-live on 2 January 2019.	**100%** The Committee felt that the objectives were fully met and successfully implemented with no disruption to customer or supplier activity.
	Finance team – improve audit confidence	– Worked with the Finance Director of Ibstock Brick & Forticrete to establish and embed a new structure for the finance team with key roles identified, including the appointment of a new Senior Financial Controller. Monitored progress throughout the year with milestones being the half and full year audits. Progress to be assessed through feedback with Deloitte. – This also included a new suite of reporting tailored to each of the business units, designed and implemented in conjunction with local management. Reports should be introduced on a phased basis during H1 2018.	**50%** The Committee reviewed progress against objectives and believes that significant progress has been made (which is supported by Deloitte), however further work and development will need to be undertaken. Therefore, on balance the Committee assessed the achievement of this objective at 50%.
	Pension strategy	– Worked to progress the de-risking of the Ibstock DB pension scheme. Actions included data cleansing, resolution of certain legacy issues, GMP reconciliation and legacy funding aspects. – Worked closely with scheme Trustees and advisors to ensure minimal impact on the scheme's funding position of the de-risking exercise.	**100%** The Committee is satisfied that the progress achieved in pension scheme management has been in line with strategy and therefore objectives relating to the de-risking of the Ibstock DB pension scheme and its work with scheme Trustees and advisors have been met in full.
		– In respect of the US pension position, undertook necessary activities to ensure that in the event of a sale the scheme is not an impediment. – Worked with key stakeholders to develop plans to minimise deficit contributions at the next valuation (2019).	**100%** The Committee has determined that, whilst the second element of this objective could not be achieved following the sale of the business, the detailed work on the scheme prevented it impeding the sale. The Committee was therefore comfortable with awarding 100% achievement for this objective.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to an 85% achievement for this element of the bonus (17% of maximum annual bonus opportunity).

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

Long-term incentives awarded in 2018 (Audited)

The table below sets out the details of the long-term incentive awards granted in the 2018 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	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Joe Hudson (CEO)	LTIP	09/04/2018	150,000	£435,000	25	100	Relative TSR and EPS
Kevin Sims (CFO)	LTIP	09/04/2018	104,550	£303,197	25	100	Relative TSR and EPS

Share price by reference to which the award was granted is £2.90 (closing share price on 8 April 2018).

The awards were granted to the CEO and CFO at 100% of their respective base salaries in the form of nil-cost share options and vesting will be subject to achieving a challenging sliding scale of adjusted EPS and relative TSR against the FTSE 250 (excluding financial services, real estate and investment trusts) over a three-year performance period ending on 9 April 2021. The performance schedule for these measures is as follows:

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

Relative TSR will be measured from the date of grant over a three-year period (with one-month averaging of TSR used to derive the start and the end values for the calculation). Adjusted EPS growth will be measured over three consecutive financial years with the base point for the 2018 award derived from the adjusted EPS as at 31 December 2017.

A two-year post-vesting holding period applies to 2018 LTIP awards.

Long-term incentives vested in 2018

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

Other remuneration paid in 2018

As disclosed in the 2017 Annual Report, a buyout package for incentives foregone in respect of Joe Hudson's role at LafargeHolcim was provided to facilitate his recruitment as Chief Executive Officer. In line with the Company's recruitment policy, when determining the package the Committee considered the structure of LafargeHolcim incentive arrangements, the proportion of the performance period completed, the associated performance conditions and the likelihood of vesting.

The Committee determined that Joe Hudson would be entitled to an award of nil-cost options over 21,570 Ibstock Shares of 1 pence each as part of the buyout arrangements. The award was granted on 9 April 2018. The fair value of the award has been reduced to take account of the original performance period and the proportion of satisfaction of the performance conditions as at the time of the buy-out. The Committee determined the buyout share package on a fair value basis with time-based vesting condition. The buy-out award vested on the first anniversary of Joe's joining date.

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

	Number of nil-cost options granted[1]	Date of grant	Date of vesting	Face value on date of grant	Performance conditions
Buyout award	21,570	09/04/2019	02/01/2019	£57,592	Continued employment

1 At the time of recruitment the number of outstanding shares was reduced pro-rata based on proportion of vesting period served and converted to Ibstock shares based on the share price of £2.67 on date of appointment.

Pension entitlements (Audited)

The Company's Defined Benefit Scheme was closed in 2017. From 1 February 2017, Executive Directors received a 20% salary supplement in lieu of pension contributions.

Additionally, under the new Directors' Remuneration Policy maximum pension contributions for the newly recruited Executive Directors will be reduced to 10% of salary. The Committee will keep pension contribution levels under review seeking to bring the level of pension allowance for Executive Directors in line with what is provided to all employees.

The table below outlines the accrued pension amounts for the Executive Directors, the valuation of the defined benefit accruals made in the financial year calculated in accordance with the reporting guidelines and the pensions salary supplement, to derive a pensions benefit value for the single total figure of remuneration. We note that as Joe Hudson joined the Board in 2018 he did not participate in the defined benefit arrangement and is entitled to 20% of salary pension contribution under the defined contribution pension plan.

			Accrued pension		Single figure numbers		Extra information disclosed under the Directors' Remuneration Regulations	
Executive Directors	**Age at 31 December 2018**	**Pensionable service at 31 December 2018**	As at 31 December 2017	**As at 31 December 2018**	Salary supplement	Value x 20 over increase in year (net of Director's contribution)	Total pension benefits	Normal retirement age
Wayne Sheppard[1]	**59**	**25**	£97,830	**£97,830**	£22,195	£0	£22,195	60
Kevin Sims	**57**	**32**	£71,787	**£71,787**	£60,639	£0	£60,639	60

1 Wayne Sheppard stepped down as CEO and from the Board on 4 April 2018.

Non-Executive Directors (Audited)

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

Non-Executive Directors	2017 fees	**2018 fees**	Roles
Jamie Pike[1]	£175,000	**£69,746**	Independent Non-Executive Chairman (outgoing)
Jonathan Nicholls[2]	£65,000	**£131,558**	Independent Non-Executive Chairman
Tracey Graham[3]	£50,000	**£63,025**	Senior Independent Non-Executive Director
Justin Read[4]	£50,000	**£56,051**	Non-Executive Director
Louis Eperjesi[5]	–	**£29,167**	Non-Executive Director
Claire Hawkings[6]	–	**£16,667**	Non-Executive Director

1 Jamie Pike stepped down as Chairman and a Director of Ibstock immediately after conclusion of the Company's AGM on 24 May 2018.
2 Jonathan Nicholls succeeded Jamie Pike as Chairman of the Board.
3 Tracey Graham succeeded Jonathan Nicholls as Senior Independent Non-Executive Director, on 24 May 2018, in addition to her role as Chair of the Remuneration Committee.
4 Justin Read was appointed Audit Committee Chair on 24 May 2018.
5 Louis Eperjesi was appointed to the Board on 1 June 2018.
6 Claire Hawkings was appointed to the Board on 1 September 2018.

Payments to outgoing CEO

Wayne Sheppard stepped down from his role as CEO upon retirement on 4 April 2018. In line with Ibstock's policy for loss of office and the rules of the ADBP and the LTIP, the Committee determined he was a good leaver. As a result he is entitled to the following:

Element	Treatment applied
Salary, benefits, pension	Salary, benefits and pension contribution paid until the end of his notice period: salary: £323,376; benefits: £16,161, pension contribution: £64,675.
ADBP cash awards	Pro-rata 2018 bonus is awarded to reflect time as CEO during the financial year, subject to achievement of performance conditions at the end of the year as disclosed in the single figure table.
ADBP share awards	Deferred share awards made under the annual bonus plan in 2016, 2017 and 2018 will vest at the normal vesting dates.
LTIP	LTIP awards granted in 2016 and 2017 will vest at the normal vesting dates, subject to achievement of the relevant performance conditions. All unvested awards will be reduced to reflect the proportion of each performance period completed as at 31 December 2018. Wayne did not receive an award under the plan for 2018.
SAYE	Wayne will be eligible to exercise his options under the 2015 SAYE in accordance with the scheme rules.

Payments to past Directors (Audited)

There were no payments to past Directors in the financial year.

Statement of Directors' shareholding and share interests (Audited)

Directors' share interests and, where applicable, achievement of shareholding requirements are set out below. The Chief Executive Officer, having only joined the Company last year, is expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary over the next five years.

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

			Shares held directly	Other shares held		Options			
Directors	Shareholding requirement % salary	Current shareholding[1] % salary	Beneficially owned[5]	Interests subject to performance conditions	Interests not subject to performance conditions	Vested	Unvested	Outstanding SAYE awards[2]	Shareholding requirement met?
Executive Directors									
Joe Hudson	200%	5%[6]	–	150,000	21,570[6]	n/a	n/a	n/a	No
Wayne Sheppard[3]	200%	2,343%	5,076,244	422,577	74,066	n/a	n/a	11,842	n/a
Kevin Sims[4]	200%	1,934%	2,924,558	392,896	50,373	n/a	n/a	n/a	Yes
Non-Executive Directors									
Jamie Pike[3]	n/a	n/a	98,500	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Nicholls	n/a	n/a	10,000	n/a	n/a	n/a	n/a	n/a	n/a
Tracey Graham	n/a	n/a	10,000	n/a	n/a	n/a	n/a	n/a	n/a
Justin Read	n/a	n/a	17,500	n/a	n/a	n/a	n/a	n/a	n/a
Louis Eperjesi[5]	n/a	n/a	20,000	n/a	n/a	n/a	n/a	n/a	n/a
Claire Hawkings[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 As at 31 December 2018 (unless stated otherwise). This was based on a closing share price of £1.987 at 31 December 2018 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
2 SAYE grants made under the Ibstock plc Sharesave Plan. Awards were granted on 9 December 2015 with an exercise price of £1.52 (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 Wayne Sheppard and Jamie Pike stepped down during the year and their shareholdings are disclosed at the date of resignation.
4 Shareholding requirement for Kevin Sims will increase from 150% of salary to 200% of salary from 2019 under the proposed Directors' Remuneration Policy.
5 Louis Eperjesi was appointed from 1 June 2018 and Claire Hawkings was appointed from 1 September 2018.
6 This includes a buyout award granted in 2018 to Joe Hudson to compensate, on a fair value basis, the value forgone for share awards forfeited on cessation of employment with his previous employer. For details regarding the buyout award please see page 101.

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

Fees retained for external Non-Executive Directorships

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

Wayne Sheppard, the former CEO, was Principal of the Construction Products Association and a Director of the Brick Development Association during 2018. He received no fees for these appointments.

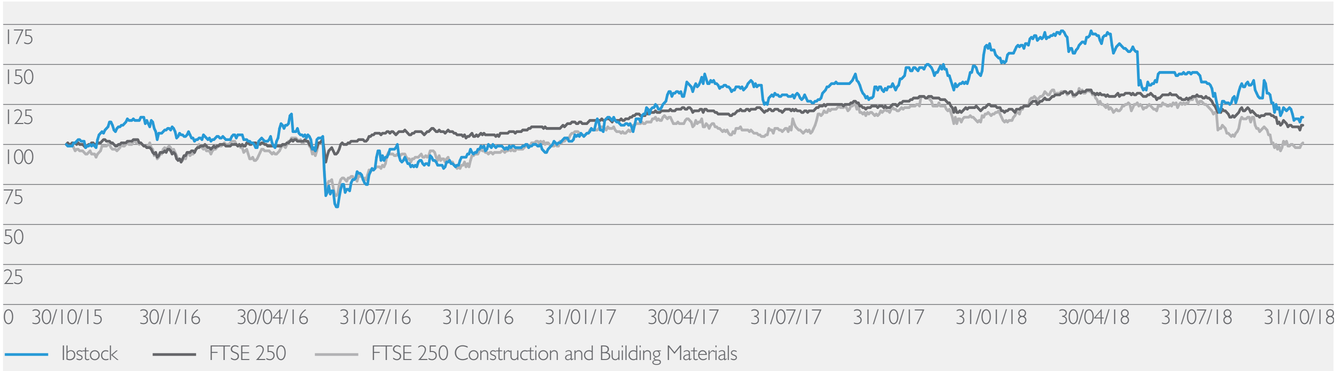
Comparison of overall performance and pay

The graph on the following page shows the value of £100 invested in the Company's shares since listing compared with the FTSE index and the FTSE 250 Construction and Building materials 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 2018. Additionally, the FTSE 250 Construction and Building materials comparator group is shown as it will be used to assess the relative TSR performance under the Company's Long-Term Incentive Plan from 2019 onwards.

Total Shareholder Return

£100 invested in the Company's shares since listing compared with the FTSE 250 index and the FTSE 250 Construction and Building Materials 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 2018, valued using the methodology applied to the single total figure of remuneration. There is no relevant data before 2015.

	Wayne Sheppard[2]				Joe Hudson[3]
Chief Executive Officer	2015	2016	2017	**2018**	**2018**
Single total figure	£773,309	£788,685	£906,300	**£183,640**	**£592,039**
Annual bonus payment level achieved (% of maximum opportunity)	100%	33%	58%	**32.5%**	**32.5%**
LTIP vesting level achieved (% of maximum opportunity)[1]	n/a	n/a	n/a	**n/a**	**n/a**

1 No award under the LTIP has vested yet. The vesting of the first award will be in April 2019.
2 Wayne Sheppard stepped down as CEO and Board Director on 4 April 2018 and his remuneration has been pro-rated.
3 Joe Hudson became CEO on 4 April 2018. His single figure includes compensation paid to him in 2018 in his capacity as the CEO.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2018 and 2017 financial years. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2017 financial year £'m	**Disbursements from profit in 2018 financial year £'m**	**% change**
Profit distributed by way of dividend	32	**65**	**103.1%**
Overall spend on pay including Executive Directors	128	**134**	**5.0%**

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

	% increase/(decrease) in remuneration in 2018 compared with remuneration in 2017	
	CEO[1]	Employees
Salary	0.1%	8%
Annual bonus	-44%	-49%
Taxable benefits	-12%	25%

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

Statement of voting at the general meeting

The current Remuneration Policy was put to a binding vote at the 2016 AGM on 26 May 2016 and as such is due for renewal at the 2019 AGM on 23 May 2019. The Annual Report on Remuneration was put to an advisory vote at the 2018 AGM on 24 May 2018. The voting outcomes are set out in the table below.

AGM resolution	Votes for	% of votes cast	Votes against	% of votes cast	Total votes cast (excluding withheld)	Votes withheld
Annual Report on Remuneration (2018)	342,325,324	99.58%	1,451,100	0.42%	343,776,424	121,070
Directors' Remuneration Policy (2016)	374,209,516	99.36%	2,394,225	0.64%	376,603,741	2,250

During the year the Remuneration Committee undertook a review of the Company's Remuneration Policy and concluded that the current Policy, which has worked well for the past three years, remains overall fit for purpose for the next three years. Therefore, the new Policy we are proposing will operate similarly. The proposed changes reflect the Committee's efforts to demonstrate best practice corporate governance whilst ensuring the Company has a competitive market positioning and that there are no payments for failure. Details of the application of the policy for the 2019 financial year are outlined on page 106.

Consideration by the Directors of matters relating to Directors' remuneration

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

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

The Committee receives assistance from Julie Bullock (Group HR Director) and Robert Douglas (Group Company Secretary), who will attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Chief Executive Officer and Chief Financial Officer attend by invitation on occasions.

Advisers to the Remuneration Committee

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

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fees of £70,000 (2017: £59,500) were provided to PwC during the year in respect of remuneration advice received.

Implementation of our Remuneration Policy for the 2019 financial year

Our proposed implementation of the new Remuneration Policy for the 2019 financial year is set out below.

	Key elements and time period: Year, +1, +2, +3, +4, +5	Overview of Remuneration Policy implementation for 2019
Base salary		For 2019 base salaries will be: – Joe Hudson: £445,875 (2.5% increase) – Kevin Sims: £310,776 (2.5% increase) Proposed salary increase is in line with the rises for all employees.
Pension		The maximum contribution into the defined contribution plan or salary supplement in lieu of pension is 20% of gross basic salary for the current Executive Directors and 10% of gross basic salary for the newly recruited Executive Directors.
Benefits		Standard benefits will be provided, including car allowance (£18,000 for Joe Hudson and £15,000 for Kevin Sims), private health cover and death in service cover. See page 89 for further details.
Annual and Deferred Bonus Plan ("ADBP")	Cash Deferred award	For 2019 the maximum bonus opportunity will be 125% of salary for all Executive Directors. For 2019, the level of deferral in shares will be one-third of the bonus earned which will vest after three years based on continued employment with the Company. The Committee can determine the proportion of the bonus earned under the ADBP provided as an award of deferred shares to a maximum of 50% of bonus earned. The performance conditions and their weightings for the 2019 annual bonus are as follows: – Adjusted EBITDA (30%); – Adjusted Operating Cash Flow (20%); – ROCE (20%); – Non-financial objectives: defined operational/strategic objectives to include actions and measures including Customer and Safety alongside other key areas for executives (30%). – The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the ADBP in advance would not be in shareholders' interests. Actual targets, performance achieved and awards made will be published at the end of the relevant performance period so shareholders can fully assess the basis for any pay-outs under the annual bonus.
LTIP		– In 2019 the maximum annual LTIP award of 100% of salary will be awarded to Joe Hudson and Kevin Sims. – 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 construction and building materials sector companies – with threshold vesting for median performance against the index and full vesting for upper quartile performance; and – A two-year holding period will apply to the 2019 LTIP awards following vesting. The Committee recognises the importance of setting robust targets. As at the date of this report the 2019 EPS targets are still being finalised. We note that the targets will be set such that they are suitably challenging and will be disclosed at the time of making the 2019 awards.
Non-Executive Directors' fees		The Non-Executive Director fees were increased by 2.5% in line with increases awarded to the wider employee population the same as the previous year. The 2019 fee levels are: – Chairman – £179,375 – Board fee (including Committee membership) – £51,250 – Committee Chairmanship (per Committee) – £10,250 – Senior Independent Director – £5,125

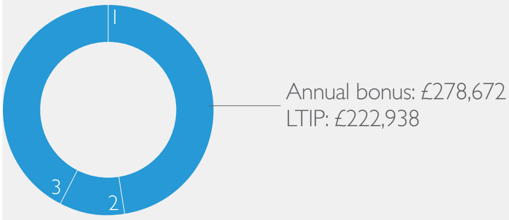
Pay at risk

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

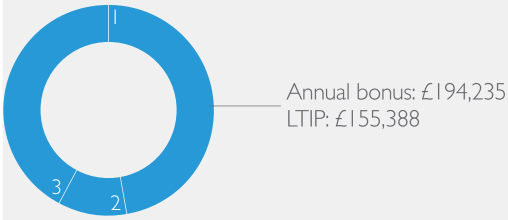
- payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- performance conditions have still to be satisfied (LTIP awards); or
- elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting.

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.

Joe Hudson (CEO)
1 At risk: £501,610
2 Pension and benefits: £108,171
3 Salary: £445,875



Kevin Sims (CFO)
1 At risk: £349,623
2 Pension and benefits: £77,747
3 Salary: £310,776



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

4 March 2019

The Directors present their report for the year ended 31 December 2018.

Management Report and Corporate Governance Statement

This Directors' Report and the Strategic Report on pages 1 to 56 together comprise the "Management Report" for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R. The Directors' Report, which incorporates by reference the Corporate Governance information on pages 57 to 109, fulfils the requirements of the Corporate Governance Statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

Information incorporated by reference

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

Information	Reported in	Pages
Corporate Governance	Corporate Governance Statement	57 to 109
	Statement of Directors' Responsibilities	110
Disclosures concerning Greenhouse Gas Emissions	Resources and Relationships	40
Important events since the end of the financial year	Financial Review	55
Likely future developments	Business Review	51
Results and dividends	Chairman's Statement	13
Research and development	Resources and Relationships	36
Employment of disabled persons	Resources and Relationships	32
Employee involvement	Resources and Relationships	34
Disclosure of information to auditors	Statement of Directors' Responsibilities	110

Directors

The names and biographies of the Directors as at the date of this report are shown on pages 68 and 69. Other Directors who served on the Board during the year and the dates on which they stepped down are shown below:

Director	Date stepped down
Wayne Sheppard	4 April 2018
Jamie Pike	24 May 2018

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

Articles of Association

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

Share capital and control

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

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

The Trustee of the Employee Benefit Trust (the "Trust"), which is used to purchase shares on behalf of the Company as described in Note 24, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the Trustee adopts a policy of not voting in respect of such shares. In accordance with Listing Rule 9.8.4(c), the Company notes that the Trustee has a dividend waiver in place in respect of shares which are the beneficial property of the Trust.

Purchase of own shares

At the AGM held on 24 May 2018, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 40,642,450 ordinary shares, representing 10% of the Company's issued ordinary share capital as at the latest practicable date prior to publication of the AGM circular. No shares have been purchased under this authority. The Directors are seeking renewal of the authority at the forthcoming AGM, in accordance with relevant institutional guidelines.

Substantial shareholdings

As at 31 December 2018, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following interests in its ordinary share capital.

Name of shareholder	Number of shares disclosed	% interest in issued share capital	Nature of holding
Vulcan Value Partners, LLC	45,247,797	11.13%	Indirect
Aviva plc and its subsidiaries	25,418,600	6.25%	Direct and Indirect
J O Hambro Capital Management Limited	22,453,824	5.52%	Indirect
Franklin Templeton Fund Management Limited	21,176,009	5.21%	Indirect
Janus Henderson Group plc	20,476,033	5.04%	Indirect

In the period from 31 December 2018 to the date of this report Vulcan Value Partners notified the Company that their shareholding had reduced to 41,143,877 shares (10.12%). No other 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 awards), to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable) unless determined otherwise by the Board in its discretion, in accordance with the rules of the plans. In certain circumstances, the Board may decide (with the agreement of the acquiring company) that awards will instead be cancelled in exchange for equivalent awards over shares in the acquiring company.

Directors' and Officers' liability insurance and indemnities

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

Financial instruments

Details of the financial instruments used by the Group are set out in Note 23 to the Group consolidated financial statements, which are incorporated into this Directors' Report by reference. The Group's financial risk management objectives and policies are included in the Risk management overview on page 43 and in Note 23 of the Group consolidated financial statements.

Political donations

No political donations were made during the year ended 31 December 2018.

Annual General Meeting 2019

The AGM will be held on 23 May 2019 at 11:00 a.m. at 54 Hatton Garden, London EC1N 8HN. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report.

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

Auditor

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

On behalf of the Board

Robert Douglas
Company Secretary

4 March 2019

Statement of Directors' Responsibilities

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and applicable law. Under company law the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing the Parent Company financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group consolidated financial statements, International Accounting Standard No.1 requires Directors to:

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

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

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.

Disclosure of information to auditors

Each person who is a Director of the Company as at the date of approval of this report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and

(b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibility Statement

The Directors, whose names and functions are given on pages 68 and 69 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;
– 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; and
– the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 4 March 2019 and is signed on its behalf by:

Joe Hudson
Chief Executive Officer

4 March 2019

Kevin Sims
Chief Financial Officer

4 March 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Ibstock plc (the 'parent company') and its subsidiaries (together, the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- note 1, the statement of significant accounting policies; and
- the related notes 2 to 33 and 1 to 12.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Revenue recognition on bill and hold arrangements; and – Inflation and discount rate assumptions used in defined benefit pension scheme valuations. Within this report, any new key audit matters are identified with ⌃ and any key audit matters which are the same as the prior year are identified with ⊖.
Materiality	The materiality that we used for the group financial statements was £5 million which was determined on the basis of profit before tax for continuing operations.
Scoping	We performed full scope audits on the three UK trading components (Ibstock Brick, Forticrete and Supreme), Head Office entities and the consolidation process. Specific procedures were performed by the UK audit team over the US component, Glen-Gery, which have been classified as discontinued operations in the 2018 accounts.
Significant changes in our approach	In 2017, specified procedures were performed by a local audit team in respect of the US trading division. Following the sale of the division in November 2018, specific procedures were performed over the discontinued operations result disclosed in the 2018 Annual Report and Accounts. In 2017, we identified a key audit matter in relation to revenue recognition and customer rebates. As a result of reassessing the areas of greatest significance during the current year audit, we no longer consider customer rebates to be a key audit matter. In 2018, we identified a new key audit matter in relation to bill and hold arrangements entered into by Ibstock Brick; these transactions were new in the year ended 31 December 2018.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 42 to 45 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 42 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 54 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition: bill and hold arrangements

Key audit matter description	Ibstock Brick has recognised revenue from bill and hold arrangements in June and December 2018. There is a risk that revenue is recognised in respect of bill and hold arrangements prior to acceptance and risks transferring to the customer. We are required under ISAs (UK) to presume that there is a risk of fraud in revenue. Changes in bill and hold revenue could improve adjusted EBITDA, which is a key performance measure, and so we have therefore identified bill and hold sales as our key audit matter in revenue. Revenue includes £6.6 million relating to bill and hold arrangements of which £4.3 million relates to inventory remaining at Ibstock Brick sites as at 31 December 2018. This amount includes product sales, where shipment to the customer has not happened as at the balance sheet date, but revenue has been recognised in the year ended 31 December 2018 due to the risks of ownership having passed to the customer. Further information on bill and hold transactions can be found in note 1 of the accounts.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: – evaluated the design and implementation of the control to address the key audit matter in Ibstock Brick; – reviewed management's paper on bill and hold arrangements which explains the purpose of the arrangements; – selected a sample of bill and hold transactions and inspected the supporting documentation, including invoice terms to assess whether they meet the revenue recognition criteria in IFRS 15 Revenue from Contracts with Customers; – agreed that the inventory is separately identifiable by observing the quarantine of the bill and hold inventory through photographic evidence and physical inspection; – reviewed the contracts between Ibstock Brick and the customer to assess whether it is probable that delivery will be made; and – performed a retrospective review of bill and hold arrangements from June 2018 and checked that there has been no subsequent refund of the bill and hold sales invoices previously paid on normal commercial terms.
Key observations	No issues have been noted in the procedures performed and we concluded that revenue was recognised in accordance with the accounting policy of the Group and relevant accounting standards.

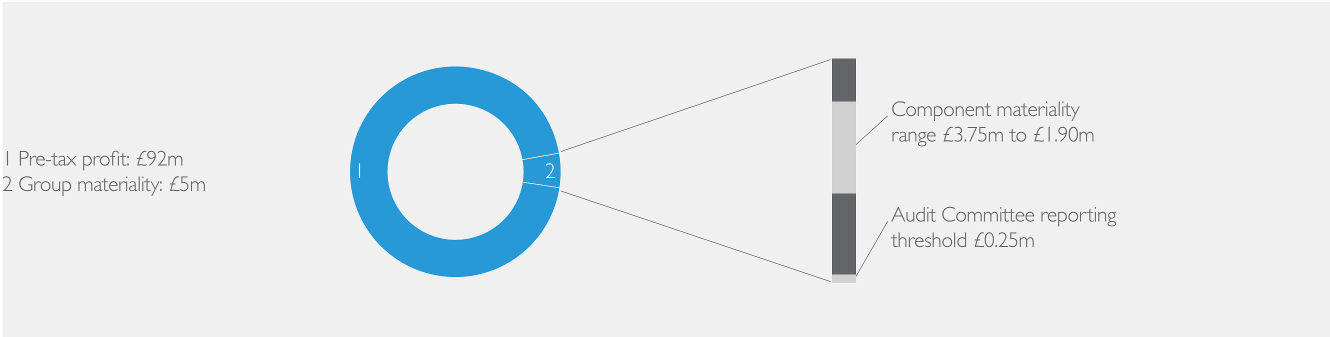
Inflation and discount rate assumptions used in defined benefit pension scheme valuations	
Key audit matter description	The Group has a net defined benefit pension asset of £80.7 million as at 31 December 2018 (2017: £46.1 million). There is a risk of material misstatement relating to judgements made in valuing the defined benefit pension scheme liabilities as small changes in the key model input assumptions such as inflation and discount rates can have a significant impact on the valuation of the liability. Further information on inflation and discount rate assumptions used in defined benefit pension scheme valuations can be found in the Audit Committee report on page 78, note 2 (Critical accounting judgements and estimates) on page 129 and note 20 (Post employment benefit obligations) on page 148.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: – evaluated the design and implementation of the control to address the key audit matter; – Assessed the appropriateness of the inflation and discount rate assumptions used in respect of the UK scheme by comparing rates adopted by Ibstock plc for the year ended 31 December 2018 against our expectation determined by internal benchmarks and comparator schemes; – considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit scheme liabilities to changes in these key assumptions; and – challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation with reference to comparator company and market data as at 31 December 2018.
Key observations	From the work performed we are satisfied that the key assumptions applied in respect of the valuation of the defined benefit pension scheme liabilities are within a reasonable range.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£5 million (2017: £4 million)	£3.75 million (2017: £3.2 million)
Basis for determining materiality	5.5% of pre-tax profit from continuing operations (2017: 5% of pre-tax profit).	3% of net assets (2017: 2%), capped at 75% of Group materiality.
Rationale for the benchmark applied	Consistent with the year ended 31 December 2017, we have selected profit before tax as our benchmark as it is the key focus for shareholders in assessing the performance of the Group. As a result of experience gained during our first year audit for the year-ended 31 December 2017, we have increased the % taken when determining the basis for materiality as at 31 December 2018.	Net assets are considered to be an appropriate benchmark for the Company given that it is mainly a holding company. A set percentage of group materiality was applied to the Company based upon the scoping of components, assessing the risk within the Company compared to others within the Group. As a result of experience gained during our first year audit for the year-ended 31 December 2017, we have increased the % taken when determining the basis for materiality as at 31 December 2018.



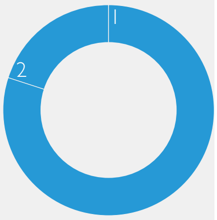
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £250,000 (2017: £200,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

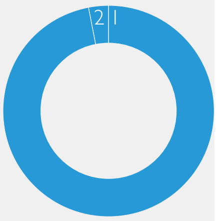
Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at a group level. Full scope audit procedures were performed on the three UK trading components (Ibstock Brick, Forticrete and Supreme). Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality ranging from £1.9 million to £3.75 million. At the Group level, we also tested head office entities and the consolidation process. In total, this provided coverage of 80% of revenue, 97% of profit before tax and 85% of the net assets.

Specific procedures were performed by the UK audit team on the US trading component, Glen-Gery, sold in November 2018.

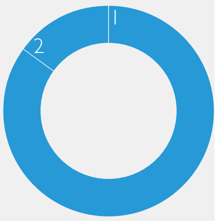
Revenue
1 Full scope audit: 80%
2 Specific agreed upon procedures: 20%



Profit before tax
1 Full scope audit: 97%
2 Specific agreed upon procedures: 3%



Net assets
1 Full scope audit: 85%
2 Specific agreed upon procedures: 15%



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, pensions, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following area: revenue recognition from bill and hold arrangements; and
- obtaining an understanding of the legal and regulatory framework that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation and protection of the environment and natural resources legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition from bill and hold arrangements as a key audit matter due to the risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ended 31 December 2017 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
4th March 2019

Financial statements

Financial statements

Additional information

Location: Pavillion Gardens, Merseyside.
Product: Calderstone Russett and Grampian Red Mix Bricks.

Consolidated income statement

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 restated (Note 11) £'000
Continuing operations			
Revenue	4	**391,402**	362,589
Cost of sales		**(236,994)**	(213,256)
Gross profit		**154,408**	149,333
Distribution costs		**(39,749)**	(36,872)
Administrative expenses before exceptional items		**(31,116)**	(30,877)
Exceptional administrative items	5	**(1,447)**	1,529
Administrative expenses		**(32,563)**	(29,348)
Exceptional profit on disposal of property, plant and equipment	6	**9,472**	–
Profit on disposal of property, plant and equipment		**1,735**	142
Total profit on disposal of property, plant and equipment		**11,207**	142
Other income		**3,036**	5,859
Other expenses		**(348)**	(691)
Operating profit		**95,991**	88,423
Finance costs before exceptional items		**(4,737)**	(5,109)
Exceptional finance costs	5/8	**–**	(6,386)
Finance costs	8	**(4,737)**	(11,495)
Finance income	9	**1,262**	732
Net finance cost		**(3,475)**	(10,763)
Profit before taxation		**92,516**	77,660
Taxation	10	**(16,102)**	(12,594)
Profit from continuing operations		**76,414**	65,066
Discontinued operations			
Profit from discontinued operations, net of tax	11	**652**	8,484
Profit		**77,066**	73,550
Profit attributable to:			
Owners of the parent		**77,066**	73,550
Profit attributable to:			
Continuing operations		**76,414**	65,066
Discontinued operations		**652**	8,484
		77,066	73,550

	Notes	Pence per share	Pence per share
Earnings per share			
Basic – continuing operations	12	**18.8**	16.0
Basic – discontinued operations	12	**0.2**	2.1
		19.0	18.1
Diluted – continuing operations	12	**18.6**	15.9
Diluted – discontinued operations	12	**0.2**	2.1
		18.8	18.0

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit for the financial year		**77,066**	73,550
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit assets and obligations[1]	21	**28,892**	54,728
Remeasurement of post employment benefits – surplus restriction[1]	21	**–**	14,223
Related tax movements[1]	10	**(5,357)**	(12,857)
		23,535	56,094
Items that may be subsequently reclassified to profit or loss			
Currency translation differences – discontinued operations[2]		**3,157**	(7,853)
Reclassification of accumulated translation differences on disposal of subsidiary undertaking[2]		**(11,347)**	–
		(8,190)	(7,853)
Other comprehensive income for the year net of tax		**15,345**	48,241
Total comprehensive income for the year, net of tax		**92,411**	121,791
Total comprehensive income attributable to:			
Owners of the parent		**92,411**	121,791

1 Impacting retained earnings.
2 Impacting the currency translation reserve.

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

Non-GAAP measure
Reconciliation of adjusted EBITDA to Operating profit for the financial year

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Adjusted EBITDA		**112,371**	107,899
Add back exceptional items	5	**8,025**	1,529
Less depreciation and amortisation	6	**(24,405)**	(21,005)
Operating profit		**95,991**	88,423

Consolidated balance sheet

	Notes	31 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets	13	**100,587**	116,010
Property, plant and equipment	14	**365,478**	400,480
Deferred tax assets	22	**–**	1,412
Post-employment benefit asset	21	**80,705**	46,064
		546,770	563,966
Current assets			
Inventories	15	**68,426**	91,118
Trade and other receivables	16	**55,733**	53,416
Cash and cash equivalents		**36,048**	31,490
		160,207	176,024
Assets held for sale	17	**–**	4,853
Total assets		**706,977**	744,843
Current liabilities			
Trade and other payables	18	**(92,447)**	(85,342)
Borrowings	19	**(548)**	(551)
Current tax payable		**(6,357)**	(3,735)
Provisions	20	**(783)**	(350)
		(100,135)	(89,978)
Net current assets		**60,072**	90,899
Total assets less current liabilities		**606,842**	654,865
Non-current liabilities			
Borrowings	19	**(83,882)**	(147,980)
Post-employment benefit obligations	21	**–**	(8,735)
Deferred tax liabilities	22	**(67,336)**	(66,702)
Provisions	20	**(7,593)**	(10,620)
		(158,811)	(234,037)
Total liabilities		**(258,946)**	324,015
Net assets		**448,031**	420,828
Equity			
Share capital	24	**4,065**	4,064
Share premium	25	**917**	781
Retained earnings		**813,851**	776,912
Merger reserve	25	**(369,119)**	(369,119)
Own shares held	25	**(1,683)**	–
Currency translation reserve	25	**–**	8,190
Total equity		**448,031**	420,828

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board and authorised for issue on 4 March 2019. They were signed on its behalf by:

J Hudson
Director

K Sims
Director

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve (see Note 25) £'000	Other reserves (see Note 25) £'000	Currency translation reserve (see Note 25) £'000	Own shares held (see Note 25) £'000	Total equity attributable to owners £'000
At 1 January 2018		**4,064**	**781**	**776,912**	**(369,119)**	**–**	**8,190**	**–**	**420,828**
Profit for the year		–	–	**77,066**	–	–	–	–	**77,066**
Other comprehensive income				**23,535**	–		**(8,190)**	–	**15,345**
Total comprehensive income for the year		–	–	**100,601**	–	–	**(8,190)**	–	**92,411**
Transactions with owners:									
Share based payments	26	–	–	**1,773**	–	–	–	–	**1,773**
Deferred tax on share based payment	22	–	–	**(184)**	–	–	–	–	**(184)**
Equity dividends paid	32	–	–	**(65,031)**	–	–	–	–	**(65,031)**
Purchase of own shares		–	–	–	–	–	–	**(1,865)**	**(1,865)**
Issue of own shares held on exercise of share options	24	–	–	**(182)**	–	–	–	**182**	–
Issue of share capital on exercise of share options	24	**1**	**136**	**(38)**	–	–	–	–	**99**
At 31 December 2018		**4,065**	**917**	**813,851**	**(369,119)**	–	–	**(1,683)**	**448,031**
At 1 January 2017		4,063	–	677,361	(369,119)	1,109	16,043	–	329,457
Profit for the year		–	–	73,550	–	–	–	–	73,550
Other comprehensive income/(expense)		–	–	56,094	–	–	(7,853)	–	48,241
Total comprehensive income/(expense) for the year		–	–	129,644	–	–	(7,853)	–	121,791
Transactions with owners:									
Release of contingent consideration provision	25	–	–	1,109	–	(1,109)	–	–	–
Share based payments	26	–	–	1,279	–	–	–	–	1,279
Deferred tax on share based payment	22	–	–	354	–	–	–	–	354
Equity dividends paid	32	–	–	(32,098)	–	–	–	–	(32,098)
Issue of share capital on exercise of share options	24	1	781	(737)					45
At 31 December 2017		4,064	781	776,912	(369,119)	–	8,190	–	420,828

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2018 £'000	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2017 £'000
Cash flow from operating activities						
Cash generated from operations (Note 28)	**95,009**	**(515)**	**94,494**	102,904	7,891	110,795
Interest paid	**(3,798)**	**(62)**	**(3,860)**	(3,705)	–	(3,705)
Tax paid	**(9,744)**	**(842)**	**(10,586)**	(11,343)	(1,883)	(13,226)
Net cash inflow/(outflow) from operating activities	**81,467**	**(1,419)**	**80,048**	87,856	6,008	93,864
Cash flows from investing activities						
Purchase of property, plant and equipment	**(31,196)**	**(1,909)**	**(33,105)**	(33,674)	(4,155)	(37,829)
Purchase of intangible assets	**(1,124)**	**–**	**(1,124)**	–	(167)	(167)
Proceeds from sale of property plant and equipment	**3,104**	**5**	**3,109**	507	1	508
Proceeds from sale of property plant and equipment – exceptional	**12,821**	**–**	**12,821**	–	–	–
Disposal of subsidiary undertaking	**–**	**75,841**	**75,841**	–	–	–
Interest received	**22**	**–**	**22**	–	–	–
Net cash (outflow)/inflow from investing activities	**(16,373)**	**73,937**	**57,564**	(33,167)	(4,321)	(37,488)
Cash flows from financing activities						
Dividends paid	**(65,031)**	**–**	**(65,031)**	(32,098)	–	(32,098)
Drawdown of borrowings	**85,000**	**–**	**85,000**	180,000	–	180,000
Repayment of borrowings	**(149,583)**	**–**	**(149,583)**	(215,000)	–	(215,000)
Debt issue costs	**–**	**–**	**–**	(2,424)	–	(2,424)
Proceeds from issuance of equity shares	**137**	**–**	**137**	–	–	–
Purchase of own shares by Employee Benefit Trust	**(1,865)**	**–**	**(1,865)**	–	–	–
Group transfers	**74,251**	**(74,251)**	**–**	9,214	(9,214)	–
Net cash outflow from financing activities	**(57,091)**	**(74,251)**	**(131,342)**	(60,308)	(9,214)	(69,522)
Net increase/(decrease) in cash and cash equivalents	**8,003**	**(1,733)**	**6,270**	(5,619)	(7,527)	(13,146)
Cash and cash equivalents at beginning of the year	**28,437**	**3,053**	**31,490**	34,261	11,568	45,829
Exchange (losses)/gains on cash and cash equivalents	**(392)**	**85**	**(307)**	(205)	(988)	(1,193)
Cash and cash equivalents on disposal of subsidiary undertaking	**–**	**(1,405)**	**(1,405)**	–	–	–
Cash and cash equivalents at end of the year	**36,048**	**0**	**36,048**	28,437	3,053	31,490

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

Reconciliation of changes in cash and cash equivalents to movement in net debt

	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2018 £'000	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2017 £'000
Net decrease in cash and cash equivalents	**8,003**	**(1,733)**	**6,270**	(5,619)	(7,527)	(13,146)
Proceeds from borrowings	**(85,000)**	**–**	**(85,000)**	(180,000)	–	(180,000)
Repayment of borrowings	**149,583**	**–**	**149,583**	215,000	–	215,000
Non-cash debt movement	**(482)**	**–**	**(482)**	(4,931)	–	(4,931)
Effect of foreign exchange rate changes	**(392)**	**85**	**(307)**	(205)	(988)	(1,193)
Effect of disposal of subsidiary undertaking	**–**	**(1,405)**	**(1,405)**	–	–	–
Movement in net debt	**71,712**	**(3,053)**	**68,659**	24,245	(8,515)	15,730
Net debt at start of year	**(120,094)**	**3,053**	**(117,041)**	(144,339)	11,568	(132,771)
Net debt at end of year	**(48,382)**	**–**	**(48,382)**	(120,094)	3,053	(117,041)
Comprising:						
Cash	**36,048**	**–**	**36,048**	28,437	3,053	31,490
Short-term borrowings	**(548)**	**–**	**(548)**	(551)	–	(551)
Long-term borrowings	**(83,882)**	**–**	**(83,882)**	(147,980)	–	(147,980)
	(48,382)	**–**	**(48,382)**	(120,094)	3,053	(117,041)

The notes on pages 123 to 161 form an integral part of these consolidated financial statements.

1. Summary of significant accounting policies

Authorisation of financial statements

The consolidated financial statements of Ibstock plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 4 March 2019. The balance sheet was signed on behalf of the Board by J Hudson and K Sims.

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

The principal activities of the Group are set out in the Strategic Report on pages 1 to 56.

Basis of preparation

The consolidated financial statements of Ibstock plc for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2018. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Details of all the subsidiaries of the Group are given in Note 29.

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 48 to 51. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Director's Report on 108 and 109. 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 the going concern basis of accounting of its financial statements is appropriate for period of at least 12 months from approval of the financial statements.

In considering the Group's going concern status, management has modelled the impact of a financial downturn (including as a possible result of Brexit) and has concluded that there will be no material impact of the Group's ability to continue as a going concern. In addition, see the Group's Viability Statement set out on page 56.

New standards, amendments and interpretations not yet adopted

IFRS 9 'Financial Instruments (as revised in July 2014)' replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

There was no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017 arising from the transition.

Classification and measurement: On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main result of this change is that all financial assets that were classified as 'Loans and Receivables' under IAS 39 are now classified as 'Amortised Cost' under IFRS 9.

Impairment of financial assets: All financial assets held within the Group are now subject to IFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For Trade Receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables upon recognition. All other financial assets are considered to be low risk, and therefore the impairment provision is determined as the 12-month expected credit loss. No change was noted in the Group's retained earnings and equity arising from the adoption of the new impairment methodology.

Derivatives and hedge accounting: The Group does not trade in derivative financial instruments and does not apply hedge accounting, and as a result no impact is noted from the new requirements 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. IFRS 15 has been applied for all periods beginning on or after 1 January 2018 with fully retrospective application. The Group completed an assessment of the impact of IFRS 15 and determined that application of the standard had no material impact on the Group's financial reporting.

1. Summary of significant accounting policies continued

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 16, 'Leases' – in January 2016 the IASB issued IFRS 16 'Leases' on accounting for leases, which specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group has adopted IFRS 16 from 1 January 2019.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Under IFRS 16 lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

This standard will have a material effect on the Group's consolidated financial statements as follows:

Income statement: Operating expenses will decrease, as the Group currently recognises operating lease costs within either cost of sales or administrative expenses, depending upon the nature of the lease. The Group's lease expense for the year ended 31 December 2018 was £6,837,000 from continuing operations as set out in Note 6 to the financial statements. Depreciation and finance costs as currently reported in the Group's Income Statement will increase, as under the new standard the right-of-use asset will be capitalised and depreciated over the term of the lease with an associated finance cost applied annually to the lease liability.

Balance sheet: At transition date, the Group will determine the lease payments outstanding at that date and apply the appropriate discount rate to calculate the present value of the lease payments. The Group is currently considering adopting the new standard by applying the modified retrospective approach. The Group's commitment outstanding on all leases as at 31 December 2018 was £41,583,000 as set out in Note 27 of the financial statements. The Group continues to assess the impact of the new standard and whilst the exact financial impact is currently unknown due to the number of factors still to be finalised (such as discount rate, expected lease terms), this provides an indication of the scale of the leases held and how significant they are within the Ibstock plc Group.

In addition to the impacts above, there will also be significantly increased disclosures when the Group adopts IFRS 16.

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'. In year ended 31 December 2018, this measure was disaggregated by UK and US based on geographical location and the organisational structure of the Group. The US operations of the Group were disposed of on 23 November 2018 and are classified as discontinued operations.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Sterling' (£), which is the Group's presentation currency.

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. 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.

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. Details of cost and accumulated depreciation are included in Note 14.

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 13.

Impairment of non-financial assets

Assets that are subject to amortisation or depreciation such as brands and non-contractual customer relationships and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

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.

Investments and other financial assets

Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through OCI or through profit or loss); and
– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends of the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 23 for further details.

Accounting policies applied until 31 December 2017:

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

– financial assets at fair value through profit or loss;
– loans and receivables; and
– available-for-sale financial assets.

The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

1. Summary of significant accounting policies continued

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in Note 23. When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold 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 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 reflects cash-in-hand and in-transit, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts (if any). In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities 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.

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, where material. There were no borrowing costs capitalised during the current or prior years.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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 Note 2 for the judgement made regarding the application of IFRIC 14.

The current service cost of the defined benefit plan is 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.

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

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's discounted best estimate of the likely committed cash outflows.

Revenue

Revenue represents the fair value of consideration receivable for goods supplied by the Group, exclusive of local sales tax and trade discounts and after eliminating sales within the Group. All of revenue is attributable to the principal activities of the Group being the manufacture and sale of concrete products, clay facing bricks and associated special shaped and fabricated clay products.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually on despatch of goods. In a bill-and-hold arrangement, revenue is recognised when a customer has obtained control of a product, which arises when all of the following criteria are met: (a) the reason for the arrangement is substantive, (b) the product has been identified separately as belonging to the customer, (c) the product is ready for delivery in accordance with the terms of the arrangement, and (d) the Company does not have the ability to use the product or sell the product to another customer.

Customer rebates

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

Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Group.

Rental income received under operating leases is recognised on a straight-line basis over the term of the relevant lease.

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/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the financial period, so as to assess better underlying trends in financial performance. Further detail on exceptional items are given within Note 5.

The Directors believe that the use of Alternative Performance Measures (APMs) provides useful information for shareholders. The Group uses APMs to aid comparability of its performance and position between periods. The APMs represent measures used by management and Board to monitor performance and plan. Additionally, certain APMs are used by the Group in setting Director and management remuneration. Detailed descriptions of APMs used throughout these financial statements are included within Note 3.

APMs used by the Group are generally not defined under IFRSs and may not be comparable with similarly titled measures reported by other companies.

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

1. Summary of significant accounting policies continued

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except for tax relating to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have a material impact on the tax charge and profit for the year in which such a determination is made.

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

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

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

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

Dividend distribution

Dividend distributions to Ibstock plc shareholders are recognised in the Group's financial statements in the period in which the dividends are approved in general meeting, or when paid in the case of an interim dividend.

Assets held for sale

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

Share based payments

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

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

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

For the equity-settled share based payment transactions, the fair value of the share instruments granted is derived from established option pricing models. Further details on share based payments are set out in Note 26.

2. Critical accounting judgements and 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:

Defined benefit pension schemes – valuation of liabilities

For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of scheme assets, administration costs, changes in benefits, inflation rates, life expectancy and other pensioner demographics.

The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. These assumptions are subject to periodic review.

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

Judgements

The below Judgements made by management in the process of applying the Group's accounting policies have the most significant effect on the amounts recorded in the financial statements.

Impairment of intangible and non-current assets

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

The Group did not record any impairment charges during the year ended 31 December 2018 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.

Exceptional items and Alternative Performance Measures

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/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with future periods and to assess trends in financial performance.

Details of exceptional items are disclosed in Note 5. The reconciliation of the statutory reported results for the year ended 31 December 2018 to the adjusted results referred to within this Annual Report and Accounts ('Adjusted EBITDA') is included under the consolidated statement of comprehensive income and described in Note 3.

Defined benefit pension schemes – surplus recognition

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. In the prior year, in continuing to apply IFRIC 14, management ceased to recognise an additional liability in respect of the minimum funding obligation following the receipt of legal advice regarding the Group's ability to access a surplus (should one exist) in the pension scheme in the future. Further detail of the Group's pension schemes is included within Note 21. Management have continued to adopt this judgement in the current year and have recognised a defined benefit pension asset of £80,705,000.

3. Alternative performance measures

Alternative Performance Measures (APMs) are disclosed within the 2018 Annual Report and Accounts where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. APMs reported are for continuing operations. Management uses APMs in its own assessment of the Group's performance and in order to plan. Certain APMs are used in the remuneration of management and Executive Directors. It is not intended that APMs are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

Exceptional items

The Group presents items as exceptional on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance for the year, so as to facilitate comparison with future year and to assess trends in financial performance. Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA

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 consolidated statement of comprehensive income within the financial statements.

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest net of taxation (at the Group's effective tax rate). A full reconciliation is provided in Note 12.

Net debt

Net debt is defined as the sum of cash and total borrowings at the balance sheet date. Net debt to EBITDA is the ratio of net debt to Adjusted EBITDA (as defined above).

Return on capital employed

Return on capital employed (ROCE) is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension deficit/surplus). The average is calculated using the period end balance and corresponding preceding reported year end balance (year end or interim).

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Adjusted EBITDA	**112,371**	107,899
Less depreciation	**(18,249)**	(14,814)
Less amortisation	**(6,156)**	(6,191)
Adjusted earnings before taxation	**87,966**	86,894
Average net debt	**94,411**	141,896
Average equity	**409,333**	325,509
Average pension	**(75,838)**	(44,851)
Average capital employed	**427,906**	422,554
ROCE	**20.6%**	20.6%

Cash conversion

Cash conversion is the ratio of Adjusted EBITDA after movements in working capital less maintenance capital expenditure and share based payments, to adjusted EBITDA. The calculation of the cash conversion ratio is set out within Table 1 of the Financial Review on page 53.

Cash flow before major capex

Cash flow before major capex is a key performance indicator of cash flow prior to capital expenditure on major projects. This represents adjusted EBITDA plus share based payment costs less cash flow on maintenance capital expenditure and adjusted for changes in working capital. A reconciliation is provided within the Financial Review on page 53.

Adjusted free cash flow

Adjusted free cash flow represents cash flow before major projects (defined above) less expenditure on major projects and cash outflows for taxation, net interest costs and post-employment benefits. The calculation of adjusted free cash flow is set out within Table 1 of the Financial review.

4. Segment reporting

As explained in Note 1, during the year ended 31 December 2018, the management team considered the reportable segments to be the UK and the US. On 23 November 2018, the Group disposed of its US Segment, the results of which have been classified as discontinued operations within the 2018 Annual Report and Accounts. The trading results of the US segment up to the date of disposal are set out within Note 11.

The key Group performance measure is Adjusted EBITDA, as detailed below, which is profit before interest, tax adjusted for exceptional items, depreciation and amortisation. Transactions between segments are carried out at arms' length. No aggregation of segments has been applied.

	Year ended 31 December 2018		
	Continuing operations £'000	Unallocated £'000	Total £'000
Continuing operations			
Clay revenue	293,449	–	293,449
Concrete revenue	97,953	–	97,953
Total revenue from external customers	391,402	–	391,402
Adjusted EBITDA	116,354	(3,983)	112,371
Exceptional Pension related expenses (see Note 5)	(2,006)	–	(2,006)
Release of provision for contingent consideration (see Note 5)	1,892	–	1,892
Exceptional restructuring costs (see Note 5)	(348)	–	(348)
Exceptional corporate costs (see Note 5)	–	(985)	(985)
Exceptional profit on disposal of PP&E (see Note 5)	9,472	–	9,472
EBITDA after exceptional items	125,364	(4,968)	120,396
Depreciation and amortisation pre fair value uplift	(15,849)	–	(15,849)
Incremental depreciation and amortisation following fair value uplift	(8,556)	–	(8,556)
Net finance costs	(3,475)	–	(3,475)
Profit/(loss) before tax	97,484	(4,968)	92,516
Taxation			(16,102)
Profit for the year from continuing operations			76,414
Discontinued operations			
Profit for the year from discontinued operations (Note 11)			652
Profit for the year			77,066
Consolidated total assets	706,977	–	706,977
Consolidated total liabilities	(258,946)	–	(258,946)
Non-current assets			
Consolidated total intangible assets	100,587	–	100,587
Property, plant and equipment	365,478	–	365,478
Total	466,065	–	466,065
Non-current asset additions			
Continuing operations	33,378	–	33,378
Discontinuing operations	–	–	1,909
Total non-current asset additions			35,287

Included within the revenue of our Clay operations during the year ended 31 December 2018 were £6,603,000 of bill and hold transactions. At 31 December 2018, inventory relating to sales of £4,294,000 remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of £1.8 million, plc Board and other plc employment costs (£3.7 million) and legal expenses associated with the listed business (£0.3 million). These costs have been offset by the research and development taxation credits of £2.5 million.

4. Segment reporting continued

	Year ended 31 December 2017 (restated)		
	Continuing operations £'000	Unallocated £'000	Total £'000
Continuing operations			
Clay revenue	265,358	–	265,358
Concrete revenue	97,231	–	97,231
Total revenue from external customers	362,589	–	362,589
Adjusted EBITDA	110,509	(2,610)	107,899
Pension closure costs (see Note 5)	(211)	–	(211)
Release of provision for contingent consideration (see Note 5)	1,740	–	1,740
EBITDA after exceptional items	112,038	(2,610)	109,428
Depreciation and amortisation pre fair value uplift	(12,449)	–	(12,449)
Incremental depreciation and amortisation following fair value uplift	(8,556)	–	(8,556)
Net finance costs	(10,763)		(10,763)
Profit/(loss) before tax	80,270	(2,610)	77,660
Taxation			(12,594)
Profit for the year from continuing operations			65,066
Profit for the year from discontinued operations (Note 11)			8,484
Profit for the year			73,550
Total assets	638,689	–	638,689
Assets relating to discontinued operations			106,154
Consolidated total assets			744,843
Total liabilities	(279,558)	–	(279,558)
Liabilities relating to discontinued operations			(44,457)
Consolidated total liabilities			(324,015)
Non-current assets			
Intangible assets	105,619	–	105,619
Intangible assets relating to discontinued operations			10,391
Consolidated total intangible assets			116,010
Property, plant and equipment	351,338	–	351,338
Property, plant and equipment relating to discontinued operations			49,142
			400,480
Total	456,957	–	516,490
Non-current asset additions			
Continuing operations	32,489	–	32,489
Discontinuing operations			4,155
Total non-current asset additions			36,644

In the prior year, the unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of £1.6 million, plc Board costs (£1.6 million) and legal expenses associated with the listed business (£0.4 million). These costs have been offset by the research and development taxation credits of £1.8 million. Prior year figures have been restated to exclude activities of discontinued operations.

5. Exceptional items

Continuing operations	**Year ended 31 December 2018 £'000**	Year ended 31 December 2017 £'000
Exceptional administrative expenses:		
Pension related expenses		
Pension closure costs – legal and actuarial costs	**(506)**	(211)
Exceptional GMP equalisation costs	**(1,500)**	–
	(2,006)	(211)
Release of provision for contingent consideration	**1,892**	1,740
Exceptional Corporate costs	**(985)**	–
Exceptional restructuring costs	**(348)**	–
Total exceptional administrative expenses	**(1,447)**	1,529
Exceptional profit on disposal of property plant and equipment	**9,472**	–
Exceptional items impacting EBITDA	**8,025**	1,529
Exceptional finance costs – acceleration of debt issue costs on September 2015 borrowings	**–**	(3,100)
Exceptional finance costs – reversing credit related to EIR accounting of September 2015 borrowings	**–**	(3,286)
	–	(6,386)
Exceptional items relating to continuing operations	**8,025**	(4,857)
Exceptional items relating to discontinued operations	**(2,576)**	–
Total exceptional items	**5,449**	(4,857)

2018

Included within the current year are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the current year include further residual professional advisor fees associated with the closure of the Group's UK defined benefit pension scheme, which took place in the year ended 31 December 2016, and costs associated with the pension data cleansing exercise currently taking place as part of the Group's pension de-risking exercise. Additionally, in the current year, costs relating to past service costs associated with the Guaranteed Minimum Pension equalisation have been classified as exceptional. All exceptional pension costs have been assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

The release of a provision for contingent consideration of £1,892,000 arose in the current period following the finalisation of negotiations relating to outstanding contingent consideration following the Group's disposal by CRH plc in February 2015. This exceptional credit has been classified as exceptional due to the original categorisation of the associated provision creation in order to ensure consistency in accounting.

Exceptional corporate costs relate to the duplication of Chief Executive Officer's expenses in the current year, which has been categorised as exceptional on the basis of the non-recurring nature of the event giving rise to the costs.

Exceptional restructuring costs were incurred following the Group's decision to combine the Group's concrete businesses under one management team, and have been treated as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal relates to the sale of the Group's surplus properties near Bristol and Keele, which occurred in the current year. The profits on disposal have been categorised as exceptional due to the materiality of the amounts recorded.

Exceptional items relating to discontinued operations of £2,576,000 relate to the loss on disposal of the Group's US segment in the current year, as set out in Note 11 of the financial statements. The amount has been categorised as exceptional due to the material and non-recurring nature of the disposal.

2017

Included within the prior year are the following exceptional items:

Exceptional administration expenses

Pension closure costs which arose in the year ended 31 December 2017 represent residual professional advisor fees associated with the closure of the Group's UK defined benefit pension scheme, which took place in the year ended 31 December 2016.

The release of a provision for contingent consideration of £1,740,000 arose in the prior period following the disposal of all interests in the Group by Bain Capital LLC (see Note 30).

Exceptional finance costs

Exceptional finance costs arising in the prior period resulted from the refinancing of the Group's loan in March 2017, representing £3,286,000 of accelerated loan deal fees and £3,100,000 of interest charges as a result of the effective interest method of accounting. Further detail of the Group's refinancing is provided in Note 19.

5. Exceptional items continued

Tax on exceptional items

2018

The release of the provision for contingent consideration is non-taxable. The pension related expenses, corporate and restructuring costs are tax deductible.

The disposal of surplus properties during the current year give rise to capital gains which are taxable.

The loss on disposal of the Group's US segment is tax exempt.

2017

The pension closure costs of £211,000 and the exceptional finance costs of £6,386,000 were tax deductible in full in the prior year whilst the £1,740,000 release of contingent consideration was not taxable.

6. Operating profit

Operating profit includes the effect of crediting/(charging):	Continuing operations 2018 £'000	Discontinued operations 2018 £'000	Continuing operations 2017 £'000	Discontinued operations 2017 £'000
Continuing operations				
Changes in inventories of finished goods and work in progress	**3,825**	**4,664**	(2,793)	4,701
Raw material and consumables used	**(60,759)**	**(22,961)**	(56,132)	(24,474)
Employee benefit expense (Note 7)	**(73,932)**	**(24,346)**	(68,970)	(27,800)
Depreciation (Note 14)	**(18,249)**	**(4,310)**	(14,814)	(5,045)
Other production costs	**(87,879)**	**(16,140)**	(70,547)	(17,871)
Total cost of sales	**(236,994)**	**(63,092)**	(213,256)	(70,489)
Transportation expenses	**(39,749)**	**(1,482)**	(36,872)	(1,472)
Other employee benefit expenses (Note 7)	**(26,501)**	**(9,692)**	(20,311)	(11,005)
Amortisation (Note 13)	**(6,156)**	**(250)**	(6,191)	(285)
Profit on disposal of property, plant and equipment (Note 14)	**1,735**	**5**	142	2
Advertising costs	**(1,360)**	**(603)**	(1,360)	(819)
Operating lease payments	**(6,837)**	**(457)**	(6,720)	(443)
Operating lease income	**752**	**–**	631	–
Research and development costs	**(12)**	**(76)**	(95)	(131)
Exceptional administrative expenses (Note 5)	**(1,447)**	**–**	1,529	–
Exceptional profit on disposal of property plant and equipment (Note 5)	**9,472**	**–**	–	–

Auditor's remuneration

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Company's auditor and its associates for the audit of Parent Company and consolidated financial statements:	**100**	94
Fees payable to Company's auditor and its associates for other services to the Group:		
– Audit of the Company's subsidiaries	**340**	357
Total audit fees	**440**	451
– Audit-related assurance services	**55**	56
Total non-audit fees	**55**	56

7. Employees and Directors

Staff costs for the Group during the period:

	Continuing operations 2018 £'000	Discontinued operations 2018 £'000	Continuing operations 2017 £'000	Discontinued operations 2017 £'000
Wages and salaries	**83,268**	**27,101**	74,133	29,910
Social security costs	**7,729**	**5,926**	7,394	8,046
Pensions costs – defined benefit plans (Note 21)	**2,764**	**–**	1,887	–
Pensions costs – defined contribution plans (Note 21)	**5,144**	**766**	4,588	849
Share based payments (Note 26)	**1,773**	**–**	1,279	–
	100,678	**33,793**	89,281	38,805

US post-employment benefits of £480,000 in the year ended 31 December 2018 (2017: £549,000) 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:

	Continuing operations 2018	Discontinued operations 2018	Year ended 31 December 2018	Continuing operations 2017	Discontinued operations 2017	Year ended 31 December 2017
Sales staff	**274**	**74**	**348**	232	81	313
Administrative staff	**198**	**17**	**215**	205	17	222
Production staff	**1,668**	**437**	**2,105**	1,615	477	2,092
	2,140	**528**	**2,668**	2,052	575	2,627

Key management compensation	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Short-term employee benefits	**2,523**	3,363
Post-employment benefits	**42**	77
Share based payment	**583**	285
	3,148	3,725

Key management personnel has been defined as the Board of Ibstock plc, together with the Group's Executive Leadership Team, which was formed during the current year. In the prior year, the key management personnel were defined as the Board of Ibstock plc, together with the Directors of the Group's largest subsidiary. Details of remuneration for Ibstock plc Directors are presented in the Remuneration Report on pages 81 to 107. The aggregate remuneration for the purposes of the financial statements is £1,816,000 (year ended 31 December 2017: £1,848,000).

8. Finance costs

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest costs:		
Interest payable on March 2017 revolving credit facility	**(4,282)**	(3,057)
Interest payable on September 2015 bank borrowings	**–**	(1,601)
Foreign exchange translations	**(392)**	–
Total interest payable on bank borrowings	**(4,674)**	(4,658)
Other interest payable	**(63)**	(64)
Interest expense on financial liabilities at amortised cost	**(4,737)**	(4,722)
Net interest costs arising on the UK pension scheme (Note 21)	**–**	(308)
Unwinding of discount on provisions/changes in discount rate (Note 20)	**–**	(79)
Exceptional finance (cost)/credit (Note 5)	**–**	(6,386)
Non-cash interest payable	**–**	(6,773)
Total finance costs relating to continuing operations	**(4,737)**	(11,495)
Finance costs relating to discontinued operations	**(61)**	(604)
	(4,798)	(12,099)

2018
Included within the current year are finance costs associated with the Group's Revolving Credit Facility (see Note 19), which incurred interest at a 1.25%-1.50% margin during the course of 2018.

2017
Included within the prior year are the following Finance costs:

A new bank borrowing facility was entered into in March 2017, as disclosed in Note 19, replacing the borrowings in place at 1 January 2017. This financial instrument was classified as 'other financial liabilities' and held at amortised cost using the effective interest method. Accelerated deal fee costs of £3,100,000 associated with the extinguishment of the facilities entered into in September 2015 borrowings have been treated as exceptional in the year ended 31 December 2017.

During the year ended 31 December 2017, a cost of £3,286,000 was included within interest payable reversing the prior year non-cash credit which arose as a result of the lower interest rate payable.

In both the current and prior years, borrowing costs related to capital expenditure are insignificant and have not been capitalised.

9. Finance income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest income:		
Foreign currency gains	**–**	732
Net interest income arising on the UK pension scheme (Note 21)	**1,202**	–
Net unwinding of discount on provisions/changes in discount rate (Note 20)	**40**	–
Other interest receivable	**20**	–
Total finance income relating to continuing operations	**1,262**	732
Finance income relating to discontinued operations	**61**	–
	1,323	732

10. Taxation

Analysis of income tax charge

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Continuing operations		
Current tax on profits for the period	**14,634**	9,911
Adjustments in respect of prior period	**(360)**	(324)
Total current tax	**14,274**	9,587
Deferred tax on profits for the period	**3,452**	4,974
Impact of change in tax rate	**(1,571)**	(29)
Adjustments in respect of prior period	**(53)**	(1,938)
Total deferred tax	**1,828**	3,007
Total continuing operations	**16,102**	12,594
Discontinued operations	**1,149**	(2,718)
	17,251	9,876

Income tax recognised within the consolidated statement of other comprehensive income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities:		
Deferred tax charge	**5,357**	12,857

Income tax recognised within the consolidated statement of changes in equity

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Deferred tax charge/(credit) on share based payments	**184**	(354)

The tax expense for the period differs from the applicable standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017: 19.25%). The differences are explained below:

	Year ended 31 December 2018 £'000	Percentage	Year ended 31 December 2017 £'000	Percentage
Profit before tax from continuing operations	**92,516**	**100%**	77,660	100%
Profit before tax multiplied by the rate of corporation tax in the UK	**17,578**	**19.00%**	14,950	19.25%
Effects of:				
Expenses not deductible	**868**	**0.94%**	270	0.35%
Changes in estimates relating to prior periods – IPO transaction costs	**–**	**–**	(2,113)	(2.72%)
Changes in estimates relating to prior periods	**(413)**	**(0.45%)**	(149)	(0.19%)
Total tax charge before deferred tax rate change and exceptional items	**18,033**	**19.49%**	12,958	16.69%
Non-taxable release of contingent consideration	**(359)**	**(0.39%)**	(335)	(0.43%)
Rate change on deferred tax provision – pension scheme surplus	**(1,469)**	**(1.59%)**	–	–
Rate change on deferred tax provision – other	**(103)**	**(0.11%)**	(29)	(0.04%)
Total taxation expense from continuing operations	**16,102**	**17.40%**	12,594	16.22%

10. Taxation continued

The loss on disposal of the Group's US segment disclosed in Note 5 is tax exempt.

There are no income tax consequences for the Company in respect of dividends declared prior to the date of authorisation of these financial statements and for which a liability has not been recognised.

The reduction in the standard rate of corporation tax in the UK from 20% to 19% came into force with effect from 1 April 2017. The further rate reduction to 17% from 1 April 2020 was substantively enacted in Finance Act 2016 on 6 September 2016. The impact of these tax rate changes are reflected in these financial statements.

The Group expects its effective tax rate in the future to be affected by the outcome of any future tax audits as well as the impact of changes in tax law.

11. Discontinued operations

On 23 November 2018, the Group sold its entire US segment (see Note 4). Management committed to a plan to sell this segment in 2H 2018 following a strategic decision to place greater focus on the Group's key geography of the UK. The US segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated income statement has been restated to show the discontinued operation separately from continuing operations. The results of the continuing operations for the year ended 31 December 2017 have been amended from those disclosed in the prior year to reflect the full net interest costs and absence of management fee between the UK and US segments at that time.

A. Results of discontinued operations

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	**79,690**	88,994
Cost of sales	**(63,092)**	(70,489)
Gross profit	**16,598**	18,505
Distribution costs	**(1,482)**	(1,472)
Administrative expenses	**(10,744)**	(10,665)
Profit on disposal of property, plant and equipment	**5**	2
Operating profit	**4,377**	6,370
Net finance cost	**–**	(604)
Profit before taxation	**4,377**	5,766
Income tax	**(1,149)**	2,718
Trading profit after taxation	**3,228**	8,484
Loss on sale of discontinued operation	**(2,576)**	–
Income tax on sale of discontinued operation	**–**	–
Profit from discontinued operations, net of tax	**652**	8,484
Basic earnings per share (pence)	**0.2**	2.1
Diluted earnings per share (pence)	**0.2**	2.1

The profit from discontinued operations of £652,000 (2017: profit of £8,484,000) is attributable entirely to the owners of the Company.

B. Cash flows from (used in) discontinued operations

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Net cash (used in)/from operating activities	**(1,419)**	6,008
Net cash used in investing activities	**73,937**	(4,321)
Net cash from/(used in) financing activities	**(74,251)**	(9,214)
Net cash flows from the year	**(1,733)**	(7,527)

C. Effect of disposal on the financial position of the Group

	23 November 2018 £'000
Intangible assets	**(10,703)**
Property, plant and equipment	**(49,353)**
Deferred tax assets	**(1,419)**
Inventories	**(40,101)**
Trade and other receivables	**(13,326)**
Current tax recoverable	**(94)**
Trade and other payables	**8,439**
Provisions	**1,090**
Post-employment benefit obligations	**9,010**
Deferred tax liabilities	**6,827**
Book value of net assets sold	**(89,630)**
Disposal proceeds	**79,208**
Foreign currency reserve	**11,347**
Transaction costs	**(3,501)**
Loss on disposal	**(2,576)**

12. Earnings per share

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

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

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

	Year ended 31 December 2018 (000s)	Year ended 31 December 2017 (000s)
Basic weighted average number of shares	**406,448**	406,361
Effect of share incentive awards and options	**3,021**	2,321
Diluted weighted average number of shares	**409,469**	408,682

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. Adjustments are made net of the associated taxation impact at the Effective Tax Rate.

12. Earnings per share continued

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

	Continuing £'000	Discontinued £'000	Total 2018 £'000	Continuing £'000	Discontinued £'000	Total 2017 £'000
Profit for the period attributable to the parent shareholders	**76,414**	**652**	**77,066**	65,066	8,484	73,550
Add back exceptional items	**(8,025)**	**2,576**	**(5,449)**	4,857	–	4,857
Add back tax expense/(credit) on exceptional items	**1,396**	**(399)**	**997**	(575)	–	(575)
Add fair value adjustments	**8,556**	**606**	**9,162**	8,556	1,058	9,614
Less tax credit on fair value adjustments	**(1,489)**	**(187)**	**(1,676)**	(1,386)	248	(1,138)
Less net non-cash interest	**(301)**	**(61)**	**(362)**	387	516	903
Add back tax expense on non-cash interest	**52**	**14**	**66**	(63)	(44)	(107)
Adjusted profit for the period attributable to the parent shareholders	**76,603**	**3,201**	**79,804**	76,842	10,262	87,104

	Continuing pence	Discontinued pence	Total 2018 pence	Continuing pence	Discontinued pence	Total 2017 pence
Basic EPS on profit for the year	**18.8**	**0.2**	**19.0**	16.0	2.1	18.1
Diluted EPS on profit for the year	**18.6**	**0.2**	**18.8**	15.9	2.1	18.0
Adjusted basic EPS on profit for the year	**18.8**	**0.8**	**19.6**	18.9	2.5	21.4
Adjusted diluted EPS on profit for the year	**18.7**	**0.8**	**19.5**	18.8	2.5	21.3

13. Intangible assets

	Customer contracts and relationships £'000	Brands £'000	Licences £'000	Total £'000
Cost				
At 1 January 2017	87,721	47,559	–	135,280
Additions	167	–	–	167
Exchange movements	(11)	(992)	–	(1,003)
At 31 December 2017	87,877	46,567	–	134,444
Addition	–	–	1,124	1,124
Disposals in the year	(288)	(11,268)	–	(11,556)
Exchange movements	61	501	–	562
At 31 December 2018	87,650	35,800	1,124	124,574
Accumulated amortisation and impairment				
At 1 January 2017	(9,945)	(2,049)	–	(11,994)
Charge for the year	(5,321)	(1,155)	–	(6,476)
Exchange movements	–	36	–	36
At 31 December 2017	**(15,266)**	**(3,168)**	**–**	**(18,434)**
Charge for the year	**(5,291)**	**(1,115)**	**–**	**(6,406)**
Disposals in the year	**98**	**755**	**–**	**853**
Exchange movements	**–**	**–**	**–**	**–**
At 31 December 2018	**(20,459)**	**(3,528)**	**–**	**(23,987)**
Net book amount				
At 31 December 2017	72,611	43,399	–	1,16,010
At 31 December 2018	**67,191**	**32,272**	**1,124**	**100,587**

Amortisation is included in administrative expenses in the income statement.

The remaining amortisation period of customers' relationships is seven to 17 years. At 31 December 2018, the remaining amortisation period of brands is outlined below:

Brands	**Net Book Value at 31 December 2018 £'000**	Remaining amortisation period (years)
Ibstock Brick	**29,545**	46.20
Forticrete	**493**	6.20
Supreme	**2,234**	11.20
	32,272	

14. Property, plant and equipment

	Land and buildings £'000	Mineral reserves £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 January 2017	182,571	73,924	112,893	50,820	420,208
Additions	3,747	61	12,973	19,696	36,477
Transfer to Assets held for sale	(2,850)	(800)	–	–	(3,650)
Transfer to/from AICC	–	–	8,927	(8,927)	–
Disposals	(127)	(402)	(927)	–	(1,456)
Exchange movements	(2,338)	(348)	(2,514)	(135)	(5,335)
At 31 December 2017	**181,003**	**72,435**	**131,352**	**61,454**	**446,244**
Additions	**4,887**	**105**	**13,857**	**15,314**	**34,163**
Transfer to Assets held for sale	**–**	**–**	**–**	**–**	**–**
Transfer to/from AICC	**26,719**	**–**	**50,049**	**(76,768)**	**–**
Disposals	**(27,295)**	**(4,488)**	**(36,805)**	**–**	**(68,588)**
Exchange movements	**1,693**	**146**	**1,982**	**–**	**3,821**
At 31 December 2018	**187,007**	**68,198**	**160,435**	**–**	**415,640**
Accumulated depreciation					
At 1 January 2017	(11,019)	(5,599)	(11,287)	–	(27,905)
Charge for the year	(6,620)	(3,261)	(9,978)	–	(19,859)
Disposals	123	52	917	–	1,092
Exchange movements	120	17	771	–	908
At 31 December 2017	**(17,396)**	**(8,791)**	**(19,577)**	**–**	**(45,764)**
Charge for the year	**(7,068)**	**(3,534)**	**(11,957)**	**–**	**(22,559)**
Disposals	**2,428**	**913**	**16,028**	**–**	**19,369**
Exchange movements	**(107)**	**(16)**	**(1,085)**	**–**	**(1,208)**
At 31 December 2018	**(22,143)**	**(11,428)**	**(16,591)**	**–**	**(50,162)**
Net book amount					
At 31 December 2017	163,607	63,644	111,775	61,454	400,480
At 31 December 2018	**164,864**	**56,770**	**143,844**	**–**	**365,478**

A profit on disposal of property, plant and equipment of £11,207,000 has been recognised in the year ended 31 December 2018 (year ended 31 December 2017: profit on disposal of £144,000).

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, impairment tests have not been conducted as management believes that there is no indication of impairment of an asset.

15. Inventories

	31 December 2018 £'000	31 December 2017 £'000
Raw materials	21,649	22,824
Work in progress	3,633	3,082
Finished goods	43,144	65,212
	68,426	91,118

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

At 31 December 2018, a provision of £535,000 (31 December 2017: £2,088,000) is held against the inventory balance.

16. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	49,226	49,006
Provision for impairment of receivables	(289)	(581)
Net trade receivables	48,937	48,425
Prepayments and accrued income	4,227	3,419
Other receivables	2,569	1,572
Total trade and other receivables	55,733	53,416

17. Assets held for sale

	31 December 2018 £'000	31 December 2017 £'000
Assets classified as held for sale as of the beginning of the period	4,853	1,203
Additions	–	3,650
Disposals	(4,853)	–
Assets classified as held for sale as of the end of the period	–	4,853

In the year ended 31 December 2018, the Group successfully disposed of its surplus properties in Stourbridge, Severn Valley, Keele and Kingsley, which had been classified as assets held for sale at 31 December 2017.

As of 31 December 2017, the Group's properties in Stourbridge, Severn Valley, Keele and Kingsley were categorised as held for sale. The assets were all within the UK Segment.

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

18. Trade and other payables

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	52,309	42,716
Contingent consideration	–	2,260
Other tax and social security payable	10,372	10,203
Accruals and other payables	29,766	30,163
	92,447	85,342

There are no material differences between the fair values and book values stated above. Of the amount included in accruals and other payables above are other creditors due to unwind in more than one year of £777,000 (31 December 2017: £523,000).

Contingent consideration in the prior period of £2,260,000 related to potential future obligations for payments to the vendor of the acquisition of the trading businesses completed in February 2015. As part of the Tax deed within the Share sale agreement (SSA), the Group was committed to make a payment to the vendor of half of any tax relief, over a contracted amount, received by the acquired business as a result of the Group's one-off pension payment. The amount was payable to the vendor during the period whist the acquired entities remained under ownership of the original purchaser greater than 20%. The fair value of the future obligation was estimated at £4,000,000, with a range being £nil to £4,000,000.

During the year ended 31 December 2017, the original purchaser ceased to hold any shares within the acquired entities (see Note 29 for details). Consequently, an amount of £1,740,000 was released from the amount originally provided as contingent consideration. The balance as at 31 December 2017 was subsequently released during the current year following the finalisation of negotiations with the vendor. This amount is recognised as an exceptional credit within the Group income statement for the year ended 31 December 2018.

19. Borrowings

	31 December 2018 £'000	31 December 2017 £'000
Current		
Revolving credit facility	**548**	551
	548	551
Non-current		
Revolving credit facility	**83,882**	147,980
	83,882	147,980
Total borrowings	**84,430**	148,531

As at 31 December 2018:
The Group held a Revolving Credit Facility ('RCF') for £213.5 million, which reduced from £250 million at the prior year end following the withdrawal of US Fifth Third Bank following the Group's disposal of its US operations in November 2018. The facility has no fixed repayment terms during its term and the Group must comply with covenant requirements relating to interest cover (4x) and leverage (3x) and report to the banks on a six-monthly basis. The RCF attracts interest of between 1% and 2.25% plus LIBOR depending upon the leverage ratio. During the year, amounts between £86 million and £180 million have been drawn on facility.

As at 31 December 2017:
In March 2017, the Group entered into a new £250 million Revolving Credit Facility ('RCF'). The facility has no fixed repayment terms during its five-year term. The Group must comply with covenant requirements relating to interest cover (4x) and leverage (3x) and report to the banks on a six-monthly basis. The RCF attracts interest of between 1% and 2.25% plus LIBOR depending upon the leverage ratio. During the year, amounts between £150 million and £180 million have been drawn on facility.

The Group has an overdraft facility of £10 million as part of the Group's cash pooling arrangements.

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 2018 £'000	31 December 2017 £'000
Restoration(i)	**3,342**	4,839
Dilapidations(ii)	**4,920**	5,809
Other(iii)	**114**	322
	8,376	10,970
Current	**783**	350
Non-current	**7,593**	10,620
	8,376	10,970

	Restoration[1] £'000	Dilapidations[2] £'000	Other[3] £'000	Total £'000
At 1 January 2018	**4,839**	**5,809**	**322**	**10,970**
Utilised	**–**	**–**	**(16)**	**(16)**
Credited to income statement	**(1,461)**	**(885)**	**(192)**	**(2,538)**
Unwind of discount/change in rate	**(36)**	**(4)**	**–**	**(40)**
At 31 December 2018	**3,342**	**4,920**	**114**	**8,376**

20. Provisions continued

The current expected timeframe of provision requirements is as follows:

	Restoration[1] £'000	Dilapidations[2] £'000
Within one year	30	737
Between two to five years	167	270
Between five to 10 years	148	2,167
Between 10 to 20 years	–	1,666
Over 20 years	2,997	80
	3,342	4,920

1 The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated available reserves and the expected extraction rates. Whilst a significant element of the total provision will reverse in the medium-term (two to 10 years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life. An amount of £731,000 relating to discontinued operations was credited to the income statement in the current year as an exceptional item.

2 Provisions for dilapidations, which arose as contingent liabilities recognised 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 contractual cash outflows, which are estimated to occur over the lease term.

3 Other provisions relate to provisions for the Restructuring, Supplemental Executive Retirement Plan (SERP), product warranties, landfill and onerous contracts. 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. The SERP is a defined contribution retirement plan in respect of basic salary entitlements for Executive Directors. The product warranties are based on the estimate of the cost of fulfilling customer warranty claims. The estimate is derived principally from historical data appropriately adjusted for specific risk factors. Under the Group's standard sales terms, the Group repairs or replaces 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.

21. Post-employment benefit obligations

(a) Defined Benefit plan

Analysis of movements in the net obligation during the year:

	31 December 2018 £'000	31 December 2017 £'000
Funded plan at 31 December		
Opening balance	**46,064**	(28,685)
Charge within labour costs and operating profit	**(2,453)**	(1,887)
Interest (income)/expense	**1,202**	(308)
Remeasurement gain/(loss) recognised in the statement of comprehensive income	**28,892**	54,728
Pension scheme surplus restriction recognised in the statement of comprehensive income	**–**	14,223
Contributions	**7,000**	7,993
Carried forward at 31 December	**80,705**	46,064

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 was funded by payment of contributions to a separate trustee administered fund. The scheme is a revalued earnings plan and provides benefits to its members based on their length of membership in the scheme and their average salary over that period. Following consultation with members, accounting for the scheme's closure to future accrual occurred in the year ended 31 December 2016. As a result, benefits were reassessed as active members were transferred to deferred membership. The Scheme is administered by trustees who employ independent fund managers for the investment of the pension scheme assets. These assets are kept entirely separate from those of the Group.

Total annual contributions to the Scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities in respect of service up to the balance sheet date. The Scheme is subject to an independent actuarial valuation at least every three years using the projected unit method.

The valuation used as at 31 December 2018 has been based on the results of the 30 November 2017 valuation, as updated for changes in demographic assumptions, as appropriate.

On 26 October 2018, the High Court ruled that pensions provided to members who had contracted out of the additional state pension via their scheme must be recalculated to ensure payments reflect the equalisation of state pension ages in the 1990s. GMP equalisation will increase benefits for some members. This has increased liabilities by around £1.5 million. The increase has been allowed for as a past service cost in the expense recognised in the income statement for the year ending 31 December 2018.

Through its defined benefit pension plan, the Group is exposed to a number of risks that are inherent in such plans and arrangements. There are, however, no unusual, entity-specific or plan-specific risks, and no significant concentrations of risk. The risks can be summarised as follows:

– The Scheme holds return-enhancing assets (equities) and risk-reducing assets (cash flow-driven and liability-driven investments). Long-term returns from return-enhancing assets are expected to exceed the returns from risk-reducing assets, although returns and capital values may demonstrate higher volatility. The return-enhancing assets are not well correlated with movement of the liabilities. As such the deficit may increase as a result of asset volatility. The current allocation is 25% return enhancing/75% risk-reducing assets and the Trustees' long-term target is to reach an allocation of 10% return-enhancing/90% risk-reducing assets;
– risk of volatility in inflation rates as the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). The Scheme's inflation risk is further mitigated by the asset holdings in the cash flow-driven and liability driven investments; and
– longevity risk – Increases in life expectancy will increase the period over which benefits are expected to be payable, which increases the Scheme's liabilities.

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

Balance sheet assets/(obligations):

	31 December 2018 £'000	31 December 2017 £'000
Equities	**137,449**	169,780
Bonds	**–**	223,636
Properties	**–**	25,057
Liability driven investment	**194,049**	219,109
Bespoke cash flow driven investment	**238,450**	–
Insured pensioners	**204**	–
Cash	**4,274**	21,846
Total market value of assets	**574,426**	659,428
Present value of scheme liabilities	**(493,721)**	(613,364)
Net scheme asset	**80,705**	46,064
Other pension commitments (Note 21(b))	**–**	(8,735)
Net post-employment benefit surplus	**80,705**	37,329

All equities and bonds have a quoted market price in an active market. Properties and cash and cash equivalents are unquoted. Liability Driven Investments (LDI) are funds constructed to reduce the risk within the scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. The Scheme's LDI fund is managed by BMO, is predominantly unquoted and is set up as a 'bespoke pooled fund' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the scheme's other assets and cash flows. To reduce volatility risk, a LDI strategy forms part of the Trustees' management of the scheme assets, comprising UK gilts, repurchase agreements and derivatives. At 31 December 2018, the LDI had a net asset value of £194,049,000 (2017:£219,109,000). The liabilities comprised repurchase agreements, which are entered into to better offset the schemes exposure to interest and inflation rate, whilst remaining invested in assets of a similar risk profile. Additionally, in the year ended 31 December 2018, the Group restructured its bond holdings and entered into a Bespoke cash flow driven investment held with M&G Investment managers in order to provide a flow of income to the Scheme and meet the liability requirements. This investment is structured in such a was as to satisfy the requirements of the Ibstock Scheme member population.

21. Post-employment benefit obligations continued

The amounts recognised in the income statement are:

	31 December 2018 £'000	31 December 2017 £'000
Current service cost	–	895
Exceptional past service cost (Note 5)	1,500	–
Administrative expenses	758	781
Exceptional administrative expenses (Note 5)	506	211
Multi employer scheme	235	267
Defined contribution scheme costs	5,675	5,170
Charge within labour costs and operating profit	**8,674**	7,324
Interest (income)/expense	(1,202)	308
Total charge to the income statement	**7,472**	7,632

Remeasurements recognised in the statement of comprehensive income:

	31 December 2018 £'000	31 December 2017 £'000
Remeasurement (loss)/gain on defined benefit scheme assets	(38,493)	53,553
Remeasurement gain/(loss) from changes in financial assumptions	35,666	(24,231)
Remeasurement gain from changes in demographic assumptions	23,628	12,315
Experience gains	8,091	13,091
Other comprehensive income	28,892	54,728

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

	31 December 2018 £'000	31 December 2017 £'000
Present value of defined benefit obligation at beginning of period	(613,364)	(698,033)
Current service cost	–	(895)
Past service cost	(1,500)	–
Interest cost	(14,200)	(18,120)
Contributions by scheme participants	–	(11)
Experience gains	8,091	13,091
Benefits paid	67,958	102,502
Remeasurement gain/(loss) arising from change in financial assumptions	35,666	(24,231)
Remeasurement gain arising from change in demographic assumptions	23,628	12,315
Insurance premium for risk benefits	–	18
Present value of defined benefit obligations carried forward at 31 December	**(493,721)**	(613,364)

Analysis of movements in the asset ceiling restriction within Other comprehensive income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Asset ceiling restriction at beginning of the year	–	(14,223)
Interest cost on the adjustment	–	–
Change in adjustment excluding interest	–	14,223
Asset ceiling restriction at end of the year	–	–

This scheme has a surplus that is recognised on the basis that the directors believe following the receipt of legal advice, that future economic benefits would be ultimately available to the Group in the form of a reduction in the future contributions or a cash refund. See Note 2 for further details of the judgement taken.

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

	31 December 2018 £'000	31 December 2017 £'000
Fair value of pension scheme assets at beginning of the year	659,428	683,571
Interest income	15,402	17,812
Remeasurement (loss)/gain on pension scheme assets	(38,493)	53,553
Employer contributions	7,000	7,993
Contributions by scheme participants	–	11
Benefits paid	(67,958)	(102,502)
Administrative expenses	(953)	(992)
Insurance premium for risk benefits	–	(18)
Fair value of pension scheme assets carried forward	574,426	659,428

Plan Assets are comprised as follows:

	31 December 2018			
	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	137,449	–	137,449	
– UK equities	18,793	–	18,793	3%
– Overseas equities	90,976	–	90,976	16%
– Emerging market equities	27,680	–	27,680	5%
Debt instruments	–	–	–	
– UK corporate bonds	–	–	–	0%
– Index linked gilts	–	–	–	0%
Property				
– Property	–	–	–	0%
Liability driven investment	–	194,049	194,049	34%
Bespoke cash flow driven investment	25,699	212,751	238,450	41%
Insured pensioners	–	204	204	0%
Cash and net current assets	–	4,274	4,274	1%
Total	163,148	411,278	574,426	100%

21. Post-employment benefit obligations continued

	31 December 2017			
	Quoted £'000	Unquoted £'000	Total £'000	%
Equity instruments	169,780	–	169,780	
– UK equities	23,408	–	23,408	3%
– Overseas equities	115,787	–	115,787	18%
– Emerging market equities	30,585	–	30,585	5%
Debt instruments	223,636	–	223,636	
– UK corporate bonds	223,636	–	223,636	34%
– Index linked gilts	–	–	–	0%
Property				
– Property	25,057	–	25,057	4%
Liability driven investment	–	219,109	219,109	33%
Cash and net current assets	21,846	–	21,846	3%
Total	440,319	219,109	659,428	100%

The Group contributed 16.0% of pensionable salaries to the Scheme during the prior year reported up to the date at which active members ceased to accrue benefits (1 February 2017). Based on the previous valuation (as at November 2014), a payment schedule was agreed with the Trustees of the Ibstock Pension Scheme so that the schemes deficit can be eliminated. This included the Group contributing 16% of pensionable salaries to the scheme in the year ended 31 December 2016 and up to 1 February 2017, which is no longer required following the closure of the scheme to future accrual. Additionally, a further £7.0 million per annum is payable under the Schedule of contributions until May 2021, which was paid in the year ended 31 December 2018. This schedule of contributions is revised at the time of each funding valuation and a new contribution level will apply in 2019 following completion of the funding valuation as at 30 November 2017. The weighted average duration of the defined benefit obligation is 18 years (2017: 20 years). In the year ended 31 December 2018, other costs related to the closure of the scheme to future accrual of £506,000 (2017: £211,000) were incurred and classified as exceptional (see Note 5).

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

	31 December 2018 Per annum	31 December 2017 Per annum
Discount rate	**2.80%**	2.45%
RPI inflation	**3.10%**	3.15%
CPI inflation	**2.10%**	2.15%
Rate of increase in salary	**n/a**	n/a
Rate of increase in pensions in payment	**3.65%**	3.65%
Commutation factors	**15.52**	15.52
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	**21.70 years**	22.60 years
For a female currently aged 65	**23.90 years**	25.00 years
For a male currently aged 40	**23.60 years**	24.50 years
For a female currently aged 40	**25.90 years**	26.90 years

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e., 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in Sterling and have a maturity of some 20 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2018 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 2018 £'000	31 December 2017 £'000
Present value of defined benefit obligations at 31 December 2018	**(493,721)**	(613,364)
0.25% increase in discount rate	**20,679**	28,302
0.25% decrease in discount rate	**(22,070)**	(30,348)
0.25% increase in salary growth rate	**–**	–
0.25% decrease in salary growth rate	**–**	–
0.25% increase in pension growth rate	**(12,628)**	(19,725)
0.25% decrease in pension growth rate	**12,137**	18,696
0.25% increase in inflation rate	**(12,222)**	(17,897)
0.25% decrease in inflation rate	**11,420**	19,551
One year increase in life expectancy	**(21,520)**	(28,864)
One year decrease in life expectancy	**21,320**	28,545

(b) Multi-employer scheme

The Group participated in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union 'AB&GW' and National Integrated Group Pension Plan 'NIGPP', which are both held in the United States. As the Group was 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 were accounted for on a defined contribution basis. The charge for the year to December 2018 is £235,000 (year ended 31 December 2017: £282,000). The Group was 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 at 31 December 2017 the withdrawal liability for the schemes equalled £15,527,000 and £2,171,000 for the AB&GW and NIGPP, respectively, although management had no plans on withdrawing from either scheme. Following disposal of the US segment on 23 November 2018, the Group has no ongoing liability in relation to the AB&GW or NIPP schemes as at 31 December 2018.

In total, the AB&GW plan had a deficit as at 31 December 2017 of £18,189,000. The contribution rates agreed to be paid by the Group therefore included an element of rehabilitation funding with respect to the total plan deficit. For this scheme, the arrangements gave rise to a present obligation and as such a liability was been recognised of £8,735,000 at 31 December 2017 for future committed contribution amounts with an associated recognised deferred tax asset of £2,292,000 . This was 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 (2.58%) given the duration of the rehabilitation funding plan runs to 2034. This calculation was based on management's estimated number of employees in future years. Based on the contribution rates and total withdrawal liability for the NIGPP plan, management determined any present obligation arising from the plan was immaterial. Following disposal of the US segment on 23 November 2018, the Group has no ongoing liability in relation to the AB&GW or NIPP schemes as at 31 December 2018.

(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 £5,675,000 (year ended 31 December 2017: £5,170,000).

22. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2018 £'000	31 December 2017 £'000
Net deferred tax liability at beginning of period	**(65,290)**	(55,445)
Differences on exchange	**(282)**	710
Tax (charged)/credited to the consolidated income statement	**(1,631)**	1,948
Tax recognised within other comprehensive income	**(5,357)**	(12,857)
Tax (charged)/credited directly to equity	**(184)**	354
Discontinued operations	**5,408**	–
Net deferred tax liability at period end	**(67,336)**	(65,290)
Presented in the consolidated balance sheet after offset as:		
Deferred tax assets	**–**	1,412
Deferred tax liabilities	**(67,336)**	(66,702)
	(67,336)	(65,290)
Deferred tax assets and liabilities before offsetting of balances within the same tax jurisdiction are as follows:		
Deferred tax assets	**2,474**	11,689
Deferred tax liabilities	**(69,810)**	(76,979)
Net deferred tax liability at period end	**(67,336)**	(65,290)
Deferred tax assets expected to unwind within one year	**27**	3,192
Deferred tax assets expected to unwind after one year	**2,447**	8,497
	2,474	11,689
Deferred tax liabilities expected to unwind within one year	**(1,626)**	(2,024)
Deferred tax liabilities expected to unwind after one year	**(68,184)**	(74,955)
	(69,810)	(76,979)

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

Deferred tax assets/ (liabilities)	Net balance at 1 January 2018 £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Discontinued operations £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
	Year ended 31 December 2018						As at 31 December 2018		
Intangible fixed assets	**(20,898)**	**(144)**	**1,225**	**–**	**–**	**2,754**	**(17,063)**	**–**	**(17,063)**
Tangible fixed assets	**(45,030)**	**(407)**	**15**	**–**	**–**	**7,759**	**(37,663)**	**47**	**(37,710)**
Land revaluation	**(822)**	**(46)**	**(4)**	**–**	**–**	**872**	**–**	**–**	**–**
Rolled over and held over capital gains	**(1,332)**	**–**	**15**	**–**	**–**	**–**	**(1,317)**	**–**	**(1,317)**
Employee pension liabilities	**(6,460)**	**125**	**347**	**(5,357)**	**–**	**(2,375)**	**(13,720)**	**–**	**(13,720)**
Pension contribution spreading	**3,015**	**–**	**(3,015)**	**–**	**–**	**–**	**–**	**–**	**–**
Provisions	**3,260**	**76**	**(266)**	**–**	**–**	**(1,470)**	**1,600**	**1,600**	**–**
Share incentive plans	**911**	**–**	**100**	**–**	**(184)**	**–**	**827**	**827**	**–**
Tax losses	**2,136**	**116**	**(55)**	**–**	**–**	**(2,197)**	**–**	**–**	**–**
Other temporary differences	**(70)**	**(2)**	**7**	**–**	**–**	**65**	**–**	**–**	**–**
Deferred tax assets/ (liabilities) before offsetting	**(65,290)**	**(282)**	**(1,631)**	**(5,357)**	**(184)**	**5,408**	**(67,336)**	**2,474**	**(69,810)**
Offset of balances within the same tax jurisdiction								**(2,474)**	**2,474**
Net deferred tax assets/(liabilities)								**–**	**(67,336)**

Deferred tax assets/(liabilities)	Net balance at 1 January 2017 £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Discontinued operations £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
	Year ended 31 December 2017						As at 31 December 2017		
Intangible fixed assets	(23,925)	314	2,713	–	–	–	(20,898)	–	(20,898)
Tangible fixed assets	(50,364)	885	4,449	–	–	–	(45,030)	75	(45,105)
Land revaluation	(1,360)	96	442	–	–	–	(822)	–	(822)
Rolled over and held over capital gains	(1,836)	–	504	–	–	–	(1,332)	–	(1,332)
Employee pension liabilities, net of reimbursement asset	9,076	(265)	(2,414)	(12,857)	–	–	(6,460)	2,292	(8,752)
Pension contribution spreading	6,069	–	(3,054)	–	–	–	3,015	3,015	–
Provisions	4,630	(140)	(1,230)	–	–	–	3,260	3,260	–
Share incentive plans	319	–	238	–	354	–	911	911	–
Tax losses	2,051	(189)	274	–	–	–	2,136	2,136	–
Other temporary differences	(105)	9	26	–	–	–	(70)	–	(70)
Deferred tax assets/(liabilities) before offsetting	(55,445)	710	1,948	(12,857)	354	–	(65,290)	11,689	(76,979)
Offset of balances within the same tax jurisdiction								(10,277)	10,277
Net deferred tax assets/ (liabilities)								1,412	(66,702)

There are no unrecognised deferred tax assets or liabilities as at 31 December 2018 or the prior period-end.

23. Financial instruments – risk management

Financial assets

	Financial assets at amortised cost 31 December 2018 £'000	Loans and receivables 31 December 2017 £'000
Trade and other receivables (Note 16)	**51,506**	50,415
Cash and cash equivalents	**36,048**	31,490
Total	**87,554**	81,905

Financial liabilities

	Financial liabilities at amortised cost 31 December 2018 £'000	Loans and payables 31 December 2017 £'000
Trade and other payables (Note 18)	**82,075**	75,139
Borrowings (Note 19)	**84,430**	148,531
Total	**166,505**	223,670

All financial assets and liabilities are held at amortised cost.

Credit Risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks and is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has significant sales contracts with a number of 'blue-chip' companies and accordingly the Directors believe there is a limited exposure to credit risk, but this is actively monitored at the operational company Board level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2018 is determined as follows; the expected credit losses below also incorporate forward looking information.

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

	31 December 2018 £'000	31 December 2017 £'000
Not past due	**33,607**	33,222
Less than one month past due	**13,269**	12,877
One to six months past due	**2,048**	2,167
Six to 12 months past due	**–**	215
More than 12 months past due	**13**	(56)
	48,937	48,425

Other receivables are due to be received within the next 12 months.

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

	31 December 2018 £'000	31 December 2017 £'000
Less than one month past due	**1**	–
One to six months past due	**89**	374
Six to 12 months past due	**93**	137
More than 12 months past due	**106**	70
	289	581

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

	31 December 2018 £'000	31 December 2017 £'000
Opening balance	**(581)**	(613)
Charged to the income statement	**227**	(66)
Utilised	**(1)**	33
Released	**52**	46
Exchange movements	**14**	19
Closing impairment provision	**(289)**	(581)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is £49,226,000 (2017: £49,006,000).

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

– Significant financial difficulties of the debtor;
– Probability that the debtor will enter bankruptcy or financial reorganisation; and
– default or delinquency in payments (more than 30 days overdue).

Other financial assets at amortised cost are insignificant and the associated credit risk is considered immaterial.

Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. 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.

23. Financial instruments – risk management continued

The exposure in different currency of financial assets and liabilities is as follows:

At 31 December 2018	Sterling £'000	US$ £'000	Euro £'000	Total £'000
Financial assets				
Cash and cash equivalents	**35,601**	**1,270**	**(823)**	**36,048**
Trade and other receivables (Note 16)	**50,313**	**–**	**1,193**	**51,506**
	85,914	**1,270**	**370**	**87,554**
Financial liabilities				
Borrowings (Note 19)	**(84,430)**	**–**	**–**	**(84,430)**
Trade and other payables (Note 18)	**(79,478)**	**(12)**	**(2,585)**	**(82,075)**
	(163,908)	**(12)**	**(2,585)**	**(166,505)**

At 31 December 2017	Sterling £'000	US$ £'000	Euro £'000	Total £'000
Financial assets				
Cash and cash equivalents	24,849	3,068	3,573	31,490
Trade and other receivables (Note 16)	40,869	8,292	1,254	50,415
	65,718	11,360	4,827	81,905
Financial liabilities				
Borrowings (Note 19)	(148,531)	–	–	(148,531)
Trade and other payables (Note 18)	(65,776)	(6,821)	(2,542)	(75,139)
	(214,307)	(6,821)	(2,542)	(223,670)

There are no material differences between the fair values and the book values stated above.

At 31 December 2018, 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 2018	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Bank borrowings	**548**	**–**	**83,882**	**–**	**84,430**
Total	**548**	**–**	**83,882**	**–**	**84,430**

At 31 December 2017	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Bank borrowings	–	13,044	165,556	–	178,600
Total	–	13,044	165,556	–	178,600

At 31 December 2018, the Group had a £213.5 million RCF facility (31 December 2017: £250 million). The facility was utilised throughout the year ended 31 December 2018, resulting in an interest charge of £4,282,000 (2017: £3,057,000).

See Note 19 for further details.

For details of the maturity of other financial liabilities, see Note 18.

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

At 31 December 2018	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings:				
Bank borrowings	**1,833**	**89,083**	**–**	**90,916**
Total	**1,833**	**89,083**	**–**	**90,916**

At 31 December 2017	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings:				
Bank borrowings	2,719	153,633	–	156,352
Total	2,719	153,633	–	156,352

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 1 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 relating to the acquisition of the trading businesses in February 2015. The techniques used to value these obligations are included in Note 18.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2018.

	Contingent consideration £'000
At 1 January 2018	**2,260**
Gains and losses recognised in profit and loss	**(2,260)**
At 31 December 2018	**–**

Capital Risk Management

The capital structure of the Group consists of net debt (borrowings disclosed in Note 19 after deducting cash and bank balances) and equity of the Parent Company, comprising issued capital, reserves and retained earnings as disclosed in Note 25.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

The Group must comply with two covenants each half year from 30 June 2017. The covenants are certain ratios of interest cover and leverage, which are monitored on a regular basis by the Board. At the year end date, management believes significant headroom exists on both covenant conditions.

Dividend policy

Our dividend policy is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle (being the upward and downward movement of GDP around its long-term growth trend). This adjusted profit measure can be seen in Note 12 to the Group financial statements. Following the announcement of our dividend policy at the time of the Group's IPO in October 2015, Directors remain confident that the dividend policy remains appropriate. At 31 December 2018, the parent maintains significant distributable reserves of c.£480 million.

The Directors intend that the Company will pay an interim dividend equal to one-third of the prior year's full year dividend, with a final dividend in respect of each financial year as the balance to the total annual dividend, to be announced at the time of the announcement of the interim and final results, respectively. The Directors believe that a policy of paying one-third of the prior full year dividend as an interim in the following half-year period provides greater certainty to shareholders.

24. Share capital

	Number of shares	Share capital £'000
At 1 January 2017		
Issued, called up and fully paid:		
Ordinary shares of £0.01 each	406,317,131	4,063
	406,317,131	4,063
Issue of Ordinary shares of £0.01 each	103,417	1
At 31 December 2017	406,420,548	4,064
Issue of Ordinary shares of £0.01 each	**64,971**	**1**
At 31 December 2018	**406,485,519**	**4,065**
Comprised of:		
Issued, called up and fully paid:		
Ordinary shares of £0.01 each	**406,485,519**	**4,065**

In the year ending 31 December 2018, share capital increased by 64,971 shares (2017: 103,417 shares) as a result of the issue of ordinary share capital of £0.01 each to satisfy share options exercised in the year.

25. Reserves

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/ redeemed at a premium (2018: £917,000; 2017: £781,000).

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 (2018: nil; 2017: £8,190,000).

Merger reserve

The merger reserve of £369.1m arose on the acquisition of Figgs Topco Limited by Ibstock plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

Own shares held

The Group's holding in its own equity instruments is shown as a deduction from shareholders' equity at cost totalling £1,683,000 at 31 December 2018 (2017: nil). These shares represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

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 (2018: nil; 2017: £8,190,000).

Other reserves

Other reserves in the prior period 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. As part of the Share Sale Agreement with the previous owner of the acquired entities, half of all proceeds above a contracted amount, received by the acquired trading business on the future sale of certain land assets, shall be payable to the seller subject to certain corporate ownership requirements. Sale of land assets is in the control of the Group and accordingly was recognised in equity. The related contingent consideration was recognised based on management's best estimate of £1,109,000 (from an estimated range of nil to £3,800,000). During the year ended 31 December 2017, the purchaser ceased to hold any shares in Ibstock plc, as set out in Note 30, and as a result the amount of £1,109,000 was transferred from Other reserves to Retained earnings within the Consolidated Statement of Changes in Equity.

26. Share incentive plans

Share based payment charges:

	Year ending 31 December 2018 £000	Year ending 31 December 2017 £000
Long-Term Incentive Plan 25(a))	**557**	316
Share Option Plan (25(b))	**238**	226
Annual and Deferred Bonus Plan (25(c))	**88**	18
Save As You Earn (25(d))	**625**	453
Share Incentive Plan (25(e))	**265**	266
	1,773	1,279

Executive share option plans

The Group operates a Long Term Incentive Plan (LTIP), a Share Option Plan (SOP) and an Annual and Deferred Bonus Plan (ADBP) share based payment awards for selected management.

(a) Long-Term Incentive Programme (LTIP)

The Group granted LTIPs during the year for key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. The LTIP awards contain performance conditions dependent upon the growth of the Group's earnings per share (EPS) and total shareholder return (TSR). Please refer to the information given in the Directors' Remuneration Report on pages 81 to 107 for details in relation to the vesting conditions in relation to the LTIP.

During the year, 614,484 options (2017: 731,007) over Ordinary Shares of 1p each were granted to management under the LTIP and 70,382 shares (2017: 73,684) were exercised at a share price at the date of exercise of 195.0p (2017: 252.0p). During the year ending 31 December 2018, 165,415 options (2017: 108,313) lapsed.

(b) Share Option Plan (SOP)

The Group granted options under the Share Option Plan during the year at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. Under the SOP 443,386 options (2017: 484,570 options) over Ordinary Shares of 1p each were granted to management. In the year ended 31 December 2018, 10,838 options (2017: nil) were exercised under the SOP at a share price at the date of exercise of 207.0p. In the year ended 31 December 2018, 332,203 options (2017: 81,538 options) lapsed. Awards granted in the year under the scheme have a specified exercise price of 290.0p (2017: 211.8p) and the weighted average exercise price of options outstanding is 222.1p (2017: 208.5p). The SOP has an employment condition of three years and no other performance conditions.

(c) Annual and Deferred Bonus Plan (ADBP)

The ADBP incorporates the Company's executive bonus scheme as well as a mechanism for the deferral of bonus into awards over Ordinary Shares. The ADBP operates in respect of the annual bonus earned for the financial year. The Board can determine that part of the bonus earned under the ADBP is provided as an award of deferred shares, which take the form of a £nil cost option. The maximum value of deferred shares is 50% of the bonus earned. In the year ended 31 December 2017, 138,918 options were awarded over Ordinary Shares under the ADBP was in relation to the 2017 year end bonus with options issued in April 2018. 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. In the current year, no options lapsed (2017: 9,593 options) and at 31 December 2018, an amount of £48,000 (2017: £76,000) had been recorded in accruals for the award relating to the bonus earned for the year ending 31 December 2018.

All employee share schemes

In addition to the Executive share option plans, the Group has two all-employee share based payment arrangements – the Save As You Earn (SAYE) and Share Incentive Plan (SIP) awards:

(d) SAYE

In order to participate in the Group's Sharesave Plan, an employee must enter into a linked savings contract with a bank or building society to make contributions from salary on a monthly basis over a three or five year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary Shares under the Sharesave Plan at a specified exercise price. In the year ending 31 December 2018, the total number of awards issued under this scheme was 1,368,879 (2017: nil) options of which 308,197 (2017: 623,671) have lapsed and 64,971 (2017: 29,733) were exercised.

(e) SIP

On 18 December 2015, the Company announced a Share Incentive Plan (SIP) following the Group's IPO. Subject to qualifying employment conditions, all employees were entitled to apply for free shares up to a value of £800 depending on their period of service. The number of shares issued under the SIP in the year ended 31 December 2016 was 553,150. The free shares have a three year employment condition and no further vesting conditions. In the period since award to 31 December 2018, 33,700 shares lapsed and 65,998 shares were provided to good leavers.

26. Share incentive plans continued

The assumptions used to calculate the fair value of the LTIP, SOP and ADBP awards granted during the year ended 31 December 2018 are detailed below:

	SAYE	LTIP	SOP	ADBP
Grant date	06-Apr-18	09-Apr-18 & 15-Aug-18	09-Apr-18	09-Apr-18
Share price at grant date	2.90	2.89	2.89	2.89
Exercise price	2.3	Nil	2.90	Nil
Number of shares issued	1,368,879	614,484	443,386	138,918
Vesting period	3 years	3 years	3 years	3 years
Pricing Model	Binomial	Monte Carlo	Binomial	Binomial
% expected to vest	75%	50%	90%	95%
Expected share price volatility	32.19%	32.19%	32.19%	n/a
Expected dividend yield	4.50%	n/a	4.50%	n/a
Expected option life	3.3 years	3 years	6.5 years	n/a
Fair value per share	**0.70**	**2.34**	**0.54**	**2.89**
Risk free rate	0.91%	0.91%	1.20%	n/a

Awards under the Executive Share Option plans and All-employee share schemes are as follows:

	Executive Share options	All-employee schemes
Outstanding at 1 January 2018	**3,063,196**	**3,596,758**
Awards granted	**1,196,788**	**1,368,879**
Awards exercised	**(81,220)**	**(126,319)**
Awards lapsed/forfeited	**(497,618)**	**(283,297)**
Awards outstanding at 31 December 2018	**3,681,146**	**4,556,021**

In assessing the expected volatility level, due to Ibstock plc's short share price history, volatility of similar listed companies have been used as a proxy.

27. Operating leases and commitments

The Group as lessee

Commitments under non cancellable operating leases due are as follows:

	31 December 2018		
	Land and buildings £'000	**Other £'000**	**Total £'000**
Within one year	**3,547**	**2,880**	**6,427**
Between one and five years	**11,013**	**3,569**	**14,582**
After five years	**20,493**	**81**	**20,574**
	35,053	**6,530**	**41,583**

	31 December 2017		
	Land and buildings £'000	Other £'000	Total £'000
Within one year	3,302	4,128	7,430
Between one and five years	10,446	6,175	16,621
After five years	19,091	150	19,241
	32,839	10,453	43,292

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 2018 £'000	31 December 2017 £'000
Within one year	**658**	562
Between one and five years	**1,075**	786
After five years	**1,053**	999
	2,786	2,347

The Group acts as lessor on a number of properties where it leases surplus land not currently utilised by the business. The operating leases run for a variety of terms and their future minimum lease payments receivable are set out above.

Capital commitments

Capital expenditure contracted for not yet incurred at the balance sheet date is as follows:

	31 December 2018 £'000	31 December 2017 £'000
Amount contracted for which has not been provided	**6,325**	16,067

28. Notes to the Group cash flow statement

Cash flows from operating activities	**Continuing operations £'000**	**Discontinued operations £'000**	**Year ended 31 December 2018 £'000**	Continuing operations £'000	Discontinued operations £'000	Year ended 31 December 2017 £'000
Profit before taxation	**92,516**	**1,801**	**94,317**	77,660	5,766	83,426
Adjustments for:						
Depreciation of property, plant and equipment	**18,249**	**4,310**	**22,559**	14,814	5,045	19,859
Amortisation of intangible assets	**6,156**	**250**	**6,406**	6,191	285	6,476
Finance costs	**3,475**	**–**	**3,475**	10,763	604	11,367
(Gain)/loss on disposal of property, plant and equipment	**(11,207)**	**(5)**	**(11,212)**	(142)	(2)	(144)
Loss on disposal of subsidiary undertaking	**–**	**2,576**	**2,576**	–	–	–
Movement in contingent consideration	**(1,892)**	**–**	**(1,892)**	(1,740)	–	(1,740)
Research and development taxation credit	**(2,500)**	**–**	**(2,500)**	(1,762)	–	(1,762)
Share based payment	**1,773**	**–**	**1,773**	1,279	–	1,279
Post-employment benefits	**(4,236)**	**(137)**	**(4,373)**	(5,836)	(282)	(6,118)
Other	**–**	**38**	**38**	(115)	–	(115)
	102,334	**8,833**	**111,167**	101,112	11,416	112,528
(Increase) in inventory	**(10,194)**	**(4,822)**	**(15,016)**	623	(5,565)	(4,942)
(Increase) in debtors	**(12,091)**	**(3,916)**	**(16,007)**	(5,239)	2,920	(2,319)
Increase/(decrease) in creditors	**16,587**	**(717)**	**15,870**	9,854	(761)	9,093
(Decrease)/increase in provisions	**(1,627)**	**107**	**(1,520)**	(3,446)	(119)	(3,565)
Cash generated from operations	**95,009**	**(515)**	**94,494**	102,904	7,891	110,795

29. Group subsidiaries

Ibstock plc had the following subsidiaries as at 31 December 2018:

Entity	Principal activity	Registration number	Country of incorporation	Proportion of ordinary shares held directly by the parent	Proportion of ordinary shares held by the Group
Figgs Topco Ltd[^,1]	Holding Company	09332766	UK	100%	100%
Figgs Midco Ltd[1]	Holding Company	09332828	UK	100%	100%
Figgs Newco Ltd[1]	Holding Company	09332892	UK	100%	100%
Ibstock Building Products Ltd[1]	Holding Company	09329395	UK	100%	100%
Figgs Bidco Ltd[1]	Holding Company	09332893	UK	100%	100%
Ibstock USA Ltd (formerly Figgs Bidco 2 Ltd)[1]	Holding Company	09415340	UK	100%	100%
Ibstock Group Ltd	Holding Company	00984268	UK	100%	100%
Forticrete Ltd	Manufacturer of concrete products	00221210	UK	100%	100%
Home Building Supplies Ltd[2]	Sale and distribution of building materials	07350732	UK	100%	100%
Baldwin Industries Ltd	Holding Company	01516334	UK	100%	100%
Anderton Concrete Products Ltd	Manufacturer and supplier of precast and prestressed concrete products	01900103	UK	100%	100%
Oakhill Holdings Ltd	Holding Company	04077204	UK	100%	100%
Supreme Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	01410463	UK	100%	100%
Gee-Co Holdings Ltd	Dormant	02480251	UK	100%	100%
Ibstock Brick Holding Company Ltd	Holding Company	00784339	UK	100%	100%
Ibstock Brick Ltd	Brick manufacturer	00063230	UK	100%	100%
Ibstock Leasing Ltd	Dormant	05378321	UK	100%	100%
Ibstock Management Services Ltd[3]	Dormant	11953	Jersey	100%	100%
Ibstock Finance Co Ltd[3]	Dormant	51710	Jersey	100%	100%
Kevington Building Products Ltd	Dormant	02122467	UK	100%	100%
Ibstock Brick Leicester Ltd	Dormant	00106667	UK	100%	100%
Ibstock Brick Aldridge Ltd	Dormant	00614225	UK	100%	100%
Ibstock Brick Himley Ltd	Dormant	00092769	UK	100%	100%
Ibstock Westbrick Ltd	Dormant	01606990	UK	100%	100%
Ibstock Brick Aldridge Property Ltd	Dormant	00251918	UK	100%	100%
Moore & Sons Ltd[2]	Dormant	00118818	UK	100%	100%
Manchester Brick & Precast Ltd	Dormant	02888297	UK	100%	100%
Ibstock Brick Nostell Ltd	Dormant	00531826	UK	100%	100%
Ibstock Brick Roughdales Ltd	Dormant	00598862	UK	100%	100%
Ibstock Brick Cattybrook Ltd	Dormant	00011298	UK	100%	100%
Ibstock Hathernware Ltd	Dormant	00424843	UK	100%	100%
Ibstock Bricks (1996) Ltd	Dormant	00246855	UK	100%	100%
Wealdbeam Systems Ltd[2]	Dormant	06932047	UK	100%	100%
Loopfire Systems Ltd[2]	Dormant	04105160	UK	100%	100%

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 Hellier, Jersey, Channel Isles JE1 0BD.

All dormant entities have taken exemptions under s394A of the Companies Act 2016 from preparing or filing individual accounts.

^ Figgs Topco Ltd is owned directly by Ibstock plc. All other companies are indirectly owned.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held. The Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

30. Related party transactions

Balances and transactions between the Ibstock plc (the ultimate parent) and its subsidiaries (listed in Note 29), which are related parties, are eliminated on consolidation and are not disclosed in this note.

See Note 7 for details of Director and key management personnel remuneration.

There are no further related transaction in the year ended 31 December 2018.

In the year ended 31 December 2017:

On 9 March 2017, Diamond (BC) S.a.r.l (a wholly owned subsidiary of Bain Capital Partners LLC) announced the proposed placing of approximately 40,600,000 Ordinary Shares in the capital of Ibstock plc. On 10 March 2017, the Company announced that 48,600,000 Ordinary Shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC held Ordinary Shares representing approximately 25.0% of the entire issued share capital. On 25 April 2017, Diamond (BC) S.a.r.l announced the proposed placing of approximately 50,000,000 Ordinary Shares in the capital of Ibstock plc. On 26 April 2017, the Company announced that 101,600,000 Ordinary Shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC ceased to hold any Ordinary Shares in Ibstock plc. As at 31 December 2017, the Board of Directors of the Company, consider, based on the facts and circumstances, that Bain Capital Partners LLC no longer continues to have significant influence over the Group. There is no ultimate controlling party.

31. Contingent liabilities

Contingent liabilities were provided for on acquisition which took place in the period ended 31 December 2015 in line with IFRS 3. There are no further contingent liabilities as at 31 December 2018 or 31 December 2017.

32. Dividends paid and proposed

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Final dividend for 2017: 6.5 pence (2016: 5.3 pence)	**26,418**	21,532
Supplementary dividend paid in 2018: 6.5 pence (2017: nil)	**26,419**	–
Interim dividend for 2018: 3.0 pence (2017: 2.6 pence)	**12,194**	10,566
	65,031	32,098
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2018: 6.5 pence (2017: 6.5 pence)	**26,423**	26,417
	26,423	26,417

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 6.5 pence per Ordinary Share (2017: 6.5 pence) which will distribute an estimated £26,423,000 (2017: £26,417,000) of shareholders funds. It will be paid on 7 June 2019 to those shareholders who are on the register at 10 May 2019 subject to approval at the Group's Annual General Meeting.

33. Post balance sheet events

Except for the proposed dividend (see Note 32), no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified since the balance sheet date.

Company balance sheet
(prepared in accordance with UK GAAP – FRS 102)
Company number : 09760850

As at 31 December 2018	Notes	**31 December 2018 £'000**	31 December 2017 £'000
Fixed assets			
Investments	4	**625,491**	499,601
Current assets			
Debtors	5	**200**	115,570
Cash at bank and in hand		**10**	–
		210	115,570
Creditors – amounts falling due within one year	6	**(142,656)**	(75,631)
Net current assets		**(142,446)**	39,939
Total assets less current liabilities		**483,045**	539,540
Net assets		**483,045**	539,540
Capital and reserves			
Called up share capital	8	**4,065**	4,064
Share premium		**917**	781
Own shares held		**(1,683)**	–
Profit and loss account		**479,746**	534,695
Total equity		**483,045**	539,540

The notes on pages 164 to 167 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 £8,347,000 (year ended 31 December 2017: profit of £13,211,000).

These financial statements were approved by the Board on 4 March 2019 and were signed on its behalf by:

J Hudson
Director

K Sims
Director

Statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Own shares held £'000	Total equity £'000
Balance as at 1 January 2018		**4,064**	**781**	**534,695**	**–**	**539,540**
Profit for the year		**–**	**–**	**8,347**	**–**	**8,347**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the financial year		**–**	**–**	**8,347**	**–**	**8,347**
Transactions with owners:						
Issue of share capital	8	**1**	**136**	**(38)**		**99**
Share based payments		**–**	**–**	**1,773**	**–**	**1,773**
Purchase of own shares		**–**	**–**	**–**	**(1,865)**	**(1,865)**
Issue of own shares held on exercise of share options					**182**	**182**
Equity dividends				**(65,031)**		**(65,031)**
Transactions with owners		**1**	**136**	**(63,296)**	**(1,683)**	**(64,842)**
Balance at 31 December 2018		**4,065**	**917**	**479,746**	**(1,683)**	**483,045**
Balance as at 1 January 2017		4,063	–	553,040	–	557,103
Profit for the year		–	–	13,211	–	13,211
Other comprehensive income		–	–	–	–	–
Total comprehensive income for the financial year		–	–	13,211	–	13,211
Transactions with owners:						–
Issue of share capital	8	1	781	(737)	–	45
Share based payments		–	–	1,279	–	1,279
Equity dividends		–	–	(32,098)	–	(32,098)
Transactions with owners		1	781	(31,556)	–	(30,774)
Balance at 31 December 2017		4,064	781	534,695	–	539,540

The notes on pages 164 to 167 form an integral part of these financial statements.

1. Authorisation of financial statements

The Parent Company financial statements of Ibstock plc ('the Company') for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 4 March 2019 and the balance sheet was signed on its behalf by J Hudson 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.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditors Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 48 to 51. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Director's Report on 108 and 109. In addition, Note 23 to the Group financial statements include 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 the going concern basis of preparation for the financial statements of the Company is appropriate.

In addition, see the Group's Viability Statement set out on page 56 of the Group financial statements.

Fixed asset investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment and net of merger and Group reconstruction relief available.

Share based payments

The Company operates a number of equity-settled share based compensation plans on behalf of the Group. The fair value of the employee services received under such plans is capitalised as an investment in the Company's subsidiary until such time as intra-Group recharges are levied by the Company to recover this cost from its subsidiaries. Upon recharge, the amounts recharged 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. For further details of share based payments, see Note 26 of the Group financial statements.

Dividend distribution

Dividend distributions to Ibstock's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

Financial instruments

(i) Objectives and policies

The Company, in common with its Group subsidiaries, must comply with the Group's finance guidelines that set out the principles and framework for managing Group-wide finances. Further information on the Group's policies and procedures is available in the Group financial statements. The Company does not enter into speculative treasury arrangements.

(ii) 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.

Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by the Group.

The Company has adopted IAS 39 for 'recognition and measurement of financial instruments'.

(iii) Financial assets

Financial assets, including preference shares, trade and other receivables, loans to fellow Group companies and cash and bank balances, are initially recognised at fair value.

Such assets are subsequently carried at amortised cost using the effective interest method.

(iv) Financial liabilities

Financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at fair value.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method in accordance with IAS 39.

Taxation
Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have 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 year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

Share capital
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are shown in equity as a deduction, from the proceeds.

Related parties
The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Disclosure exemptions
In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

(a) under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that it cash flows are included within the Ibstock plc Group consolidated financial statements.

(b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share based payment disclosure requirements as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such only disclose a reconciliation of shares outstanding at between the beginning and end of the year and not the prior year.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing intra-Group transactions with wholly owned subsidiaries.

Critical accounting judgements and estimates
No critical judgements or estimates were made in applying the Company's accounting policies for the year ended 31 December 2018.

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 81 to 107. For further details of Directors' remuneration, refer to Note 7 of the Group financial statements.

4. Fixed asset investments

Cost	Investment in subsidiary undertakings £'000
At 1 January 2017	490,926
Additions – A preference shares in subsidiary undertakings – accrued interest	7,396
Additions – fair value of share incentives issued to Group employees	1,279
At 31 December 2017	499,601
Additions – A preference shares in subsidiary undertakings – accrued interest	**7,258**
Additions – forgiveness of debt owed by subsidiary undertakings	**116,859**
Additions – fair value of share incentives issued to Group employees	**1,773**
At 31 December 2018	**625,491**

Preference shares include accrued interest of £20,621,000 (2017: £13,363,000).

5. Debtors

	31 December 2018 £'000	31 December 2017 £'000
Amounts owed by subsidiary undertakings	**–**	115,370
Prepayments and other debtors	**200**	200
	200	115,570

The loan receivable from subsidiary undertakings 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 2018 £'000	31 December 2017 £'000
Amounts owed to subsidiary undertakings	**132,883**	65,417
Accruals and other creditors	**2,428**	1,860
Bank overdraft	**7,345**	8,354
	142,656	75,631

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free. The Group has a cash pooling arrangement with the bank.

7. Financial instruments

The Company has the following financial instruments:

	Loans and receivables	
	31 December 2018 £'000	31 December 2017 £'000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by subsidiary undertakings	**–**	115,370
Cash and bank balances	**10**	–
	10	115,370

	Loans and payables	
	31 December 2018 £'000	31 December 2017 £'000
Financial liabilities measured at amortised cost:		
Amounts owed to subsidiary undertakings	**132,883**	65,417
Accruals and other creditors	**2,428**	1,860
Bank overdraft	**7,345**	8,354
	142,656	75,631

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 2018	Ordinary Shares of £0.01 each	**406,420,548**	**4,064**
Shares issued in the year		**64,971**	**1**
At 31 December 2018	Ordinary Shares of £0.01 each	**406,485,519**	**4,065**

In the current year, share capital has increased by 64,971 Ordinary Shares of £0.01 as a result of the issue of shares to satisfy share options exercised in the year. Details of outstanding share options and other awards relating to the Company's share awards are included in Note 26 to the Group financial statements.

9. Contingent liabilities

The Company has guaranteed all Group bank borrowings as detailed in Note 19 of the Group financial statements. As part of the Group's joint and several liability, the Company is a party to the guarantee of the Group's VAT liability, which is approximately £40 million per annum.

10. 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 30 of the Group 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 30 of the Group financial statements.

Share awards to key management personnel resulted in an amount of £709,000 in the year ended 31 December 2018 (year ended 31 December 2017: £285,000), which has been taken to the fixed asset investment. See Note 26 and the Directors' Remuneration Report on pages 81 to 107 of the Group financial statements for further details of share based payments.

12. Post balance sheet events

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 6.5 pence per Ordinary Share (2017: 6.5 pence per Ordinary Share) which will distribute an estimated £26,423,000 (2017: £26,417,000) of shareholder's funds. It will be paid on 7 June 2019 to those shareholders who are on the register at 10 May 2019 subject to approval at the Company's Annual General Meeting. See Note 32 of the Group financial statements.

See Note 33 of the Group financial statements for details of other post balance sheet events.

Board of Directors
Jonathan Nicholls (Non-Executive Chairman)
Tracey Graham (Senior Independent Non-Executive Director)
Louis Eperjesi (Independent Non-Executive Director)
Claire Hawkings (Independent Non-Executive Director)
Justin Read (Independent Non-Executive Director)
Joe Hudson (Chief Executive Officer)
Kevin Sims (Chief Financial Officer)

Company Secretary
Robert Douglas

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0871 664 0300, from overseas call +44 (0)371 664 0300 calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales or email Link at enquiries@linkgroup.co.uk.

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Ibstock Kevington – www.ibstockbrick.co.uk/kevington
Forticrete – www.forticrete.co.uk
Supreme – www.supremeconcrete.co.uk
Anderton – www.andertonconcrete.co.uk

Cautionary Statement

This Annual Report and Accounts has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report and Accounts involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

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