Ibstock Plc

2021 Annual Report and Accounts

A clear path for growth

Our purpose

We are driven by our purpose to build a better world by being at the heart of building and have been helping to shape the homes, places and spaces of Britain since we began over 200 years ago.

Who we are

Ibstock is a leading manufacturer and supplier of clay and concrete building products and solutions to the UK construction industry specialising in products and systems for the residential building envelope and infrastructure markets.

What we do

Our core business focuses on the residential construction sector and we have built strong relationships with our house builder, developer, builders' merchant and distributor customers over many years.

Front Cover
Project name: Lambeth Palace Library
Product used: Swanage Handmade Bespoke Blend and Ashdown Blue Grey Headers

Inside Front Cover
Project name: Lambeth Palace Library
Product used: Swanage Handmade Bespoke Blend and Ashdown Blue Grey Headers

Find out more online
ibstockplc.co.uk

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Our 2021 performance
Ibstock has delivered a strong performance for the year. Trading was robust, with good operational execution, supported by strong demand across both clay and concrete markets. See page 2.

Ibstock Futures
Announced in November 2021, Ibstock Futures is a new business unit which will be focused specifically on fast-growing and innovative sectors of construction markets See pages 10 and 27

Project name: Brookfield – University of Leicester
Product used: Ivanhoe Cream

New Atlas Factory
Within the core business, we are investing £60 million over the next two years to redevelop our wire-cut clay brick facilities in the West Midlands, including the construction of a new state-of-the-art factory at our Atlas site, which will manufacture the UK's first net-zero carbon bricks from late 2023. See page 36

Project name: Station Road, Cambridge
Product used: Sevenoaks Yellow

Ibstock at a glance
Ibstock is a leading UK manufacturer of clay bricks and a diversified range of clay and concrete products and solutions. Find out more on page 4

Strategic Report

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Additional information

Our 2021 performance

Financial highlights

Our 2021 results reflect both continued robust demand across our markets and strong operational execution

Revenue +£93m

£409m

2020: £316m
2019: £409m

Total dividend per share +5.9p

7.5p

2020: 1.6p
2019: 3.2p

Adjusted free cash flow* +£25m

£51m

2020: £26m
2019: £33m

Statutory reported profit +£89m

£65m

2020: £(24)m
2019: £82m

Adjusted EBITDA* +£51m

£103m

2020: £52m
2019: £122m

Net debt* (£30m)

£39m

2020: £69m
2019: £85m

Statutory reported basic EPS +14.6p

7.8p

2020: (6.8)p
2019: 16.3p

Adjusted EPS* +9.9p

13.9p

2020: 4.0p
2019: 18.3p

*Alternative Performance Measures (APMs) are described in Note 3 to the consolidated financial statements.

All future references to APMs within the Strategic Report and Corporate Governance section are denoted by an asterisk.

A clear path for growth

Financial Strength

Over £200 million of available cash after committed growth investments and ordinary dividends over the next five years, allowing further organic and inorganic growth investments and additional shareholder returns

Responsible Business

Launch of a new Environmental Social & Governance (ESG) strategic framework with ambitious targets underlining our commitment to sustainable growth. This includes targets to reduce carbon emissions by 40% by 2030 (using a 2019 baseline) and be a net zero carbon business by 2040

Ibstock Futures

Establishment of Ibstock Futures to capture growth opportunities in new, fast growth and innovative sectors of UK construction markets

Investment

Committed investment during 2022 in Atlas, Aldridge and Nostell projects to support our medium-term growth

Ibstock plc is a leading UK manufacturer of clay and concrete building products and solutions.

Principal products across our two core divisions of Ibstock Clay and Ibstock Concrete include – clay bricks, brick components, concrete roof tiles, concrete alternatives for stone masonry, concrete fencing and prestressed concrete products.

We are market leaders in the UK across our core business – with the Group well positioned for further strategic growth.

Through a focus on market-led innovation, we are committed to providing solutions to meet the evolving needs of our customers and the built environment over the long term.

Our financial objectives

In order to demonstrate the scale of our ambition and help frame the potential of these plans, we have defined a set of medium-term financial targets:

- Target to grow Group revenues to in excess of £600 million by 2026
- **Medium-term profitability targets**: Adjusted EBITDA* margins in the Clay business of >35% and overall Group margins of at least 28%
- Targeting revenues outside of traditional clay brick to represent >40% of the Group
- Committed to retaining our capital discipline with (Return on Capital Employed (ROCE*)) of at least 20% in the medium term

Our revenue target will be achieved through a combination of:

- Volume growth in our existing network and from our already committed investments, giving us a clear pathway to revenues in excess of £550 million
- Incremental organic and inorganic initiatives in Ibstock Futures, providing the potential to grow beyond our overall £600 million target

Our investment levers

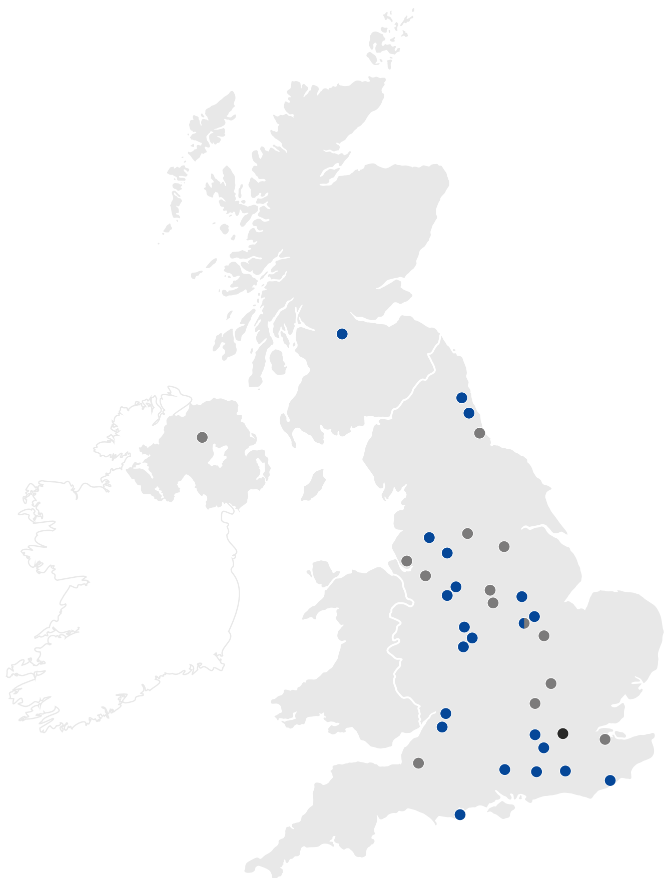
Investment driven growth through two areas of focus:

Grow	Diversify
Grow our existing business (capacity, efficiency, sustainability)	Diversify the revenue base; focused on UK residential building envelope

Clear, consistent investment criteria

Our business in numbers

200	Over 200 years of experience
36	Manufacturing sites across the UK
2,119	Employees across the UK
95%	Raw materials sourced in UK
400+	Over 400 different brick products
c.76m	Tonnes of consented clay reserves
No. 1	Manufacturer of clay bricks in the UK by production capacity



Map key
- I-Studio
- Ibstock Clay
- Ibstock Concrete

Ibstock
At the heart of building

Ibstock Clay

Our Clay division offers the largest range of bricks manufactured in the UK as well as prefabricated elements, precast solutions and brick-faced façade systems for both low-rise and high-rise developments.

A business review for the Clay division can be found on page 62.

Ibstock Kevington · Ibstock Brick

Financial highlights

Divisional Revenue

£280m

Divisional Adjusted EBITDA*

£91m

Highlights of the year

- Sales building back towards pre-pandemic levels
- Productivity and costs well managed

Ibstock Concrete

Our Concrete division manufactures high quality, precast concrete products for the residential housing and hard landscaping markets and also has a small but valuable position in infrastructure markets.

A business review for the Concrete division can be found on page 63.

Longley · Forticrete · Anderton · Supreme

Financial highlights

Divisional Revenue

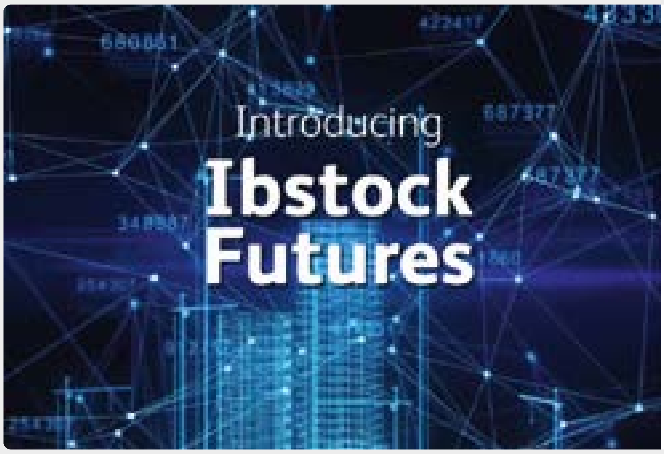
£128m

Divisional Adjusted EBITDA*

£22m

Highlights of the year

- Activity levels remained resilient across all product categories
- Strong levels of demand for rail products.



Ibstock Futures

In late 2021, we announced a new part of the Group that we call 'Ibstock Futures'.

This will enable us to accelerate growth and diversify our revenue base by targeting fast growing areas of the UK construction market, as well as developing a stronger presence in the off-site and more modern methods of construction markets.

As demand grows for façade products and solutions for both new build and re-cladding products, Ibstock Futures will be focused on developing new products suitable for a wide range of residential, commercial and mixed-use applications.

More details on this exciting new development can be found on page 10.

Strategy

Operating with a focus on the environmental and social impacts of our business has been central to who we are for many years. To drive performance in this area, we initially developed a number of ESG targets in 2018.

We look back on our ESG progress to date, as well as introduce our new strategic framework for the future from page 30. This is centred around: Addressing Climate Change, Improving Lives and Manufacturing Materials for Life.

A year of progress and delivery

> The Group has delivered a set of strong results and laid out its growth ambitions for the longer term"

Jonathan Nicholls
Chairman

The Group delivered a significantly improved result in 2021 compared to the prior year and the growth plans that we now have, including investments in the core business alongside a number of diversified growth opportunities present really exciting developments for the future of both Ibstock and the construction industry more generally.

Following the initial lockdown in spring 2020, the construction industry has proved to be highly resilient with output estimated to have risen by 13.3% in 2021, taking it back to pre-COVID levels. The Group saw strong demand trends during 2021, with robust activity in all key end-market segments and trading benefiting from a combination of a resilient operational performance and the dynamic commercial approach taken by the Group in both divisions in response to significant inflationary pressures. Industry supply chain impacts, particularly relating to availability of freight and labour, were well managed and product price increases were successful in mitigating the effect of the significant input cost inflation experienced during the second half of the year.

The results for the year showed material year-on-year improvement in all of our key financial metrics. Sales of £409 million were 29% up on 2020 and in line with the pre-COVID performance reported in 2019 whilst adjusted EBITDA* grew by nearly 100% to £103 million (2020: £52 million, 2019: £122 million), returning the adjusted EBITDA* margins to over 25%, compared to 16.5% in 2020 and 29.9% in 2019. Statutory profit was £65 million (2020: £(24 million)) and statutory earnings per share grew to 7.8 pence (2020: loss of 6.8 pence) reflecting the strong earnings momentum of the business.

Dividend

The Group's performance, financial strength and prospects support the Board's decision to recommend a final dividend of 5.0 pence per share (2020: 1.6p), resulting in a full-year 2021 dividend of 7.5 pence per share, up 5.9p year-on-year (2020: 1.6 p).

Our colleagues

We have continued to focus on the wellbeing of all of our colleagues, whilst maintaining a high-quality service to our customers and delivering positive outcomes for all our stakeholders. It is the hard work, dedication, and efforts of those who have worked for, and with, Ibstock over the past year that have enabled us to deliver this strong performance. On behalf of the Board, I would like to express our gratitude to all those who have contributed to this result, for their resilience, ongoing commitment, and their support and patience for the evolution in working practices.

Further information concerning engagement with our workforce and some of our achievements during the year can be found in the Responsible Business section on pages 38 and 39.

Governance and culture

We remain committed to driving long-term sustainable performance for the benefit of our workforce, customers, shareholders and wider stakeholders. This includes the application of high standards of corporate governance and making sure that these principles are embedded into our culture. The Responsible Business section on page 40 provides insight into how the Board engages with all key stakeholders to understand what matters to them, further informing its decision-making and the actions taken as a consequence. The Board made several principal decisions during the year including that related to the construction of the first net zero carbon brick factory in the West Midlands and further detail on decision making can be found both the Section 172(1) Statement (S172(1)) on pages 70 and 71 and in the Corporate Governance Statement on page 83. Our full Governance section includes details of our application of the Principles of the UK Corporate Governance Code 2018 (Code) and starts on page 74.

Diversity and Board changes

The Board had a number of discussions regarding composition and succession during the year under review and concluded that it would commence a search to identify an additional Non-Executive Director to provide additional skills and depth to the Board. Therefore, I was delighted to be able to announce that Peju Adebajo had joined the Board last November and I look forward to her having a positive impact on the dynamics of our Board discussions going forwards. We continue to work with the management teams within Ibstock to improve and develop the Group's diversity and inclusion strategy as well as its practical application and this will be a priority for 2022. Information regarding the appointment process for Peju and what Ibstock has achieved with respect to its diversity plans during the year can be found on page 88.

ESG and Net Zero

Our commitment to sustainability and social progress has represented a strong unifying cause for everyone at Ibstock for a number of years and we maintain our ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency around Environmental, Social and Governance (ESG) issues. We have invested significant capital over the last decade, with investment projects, such as the Atlas re-development, across the Group's plant network contributing to a reduction in the carbon intensity of our manufacturing processes. Further information can be found in the Strategy section on page 18.

After making excellent progress over the last three years towards our original ESG targets, we announced during the final quarter of the 2021 year a number of ambitious new commitments. These are set out in a new ESG strategic framework including a target for the business to be net zero carbon by 2040 and represent the product of a year of hard work and dedication overseen by the new ESG Committee. These targets are underpinned by our industry-leading approach to sustainable and responsible growth. The details of this new approach can be found in the Responsible Business section of page 32 and the work of the ESG Committee is summarised in the ESG Committee report on page 89.

The Group is committed to increasing the transparency of reporting around climate impacts and risks, and we have made great progress during 2021 so that we are compliant with the new Listing Rules requirements relating to the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

Further information can be found in the Principal Risks section on page 52 and the TCFD disclosures on page 48.

Looking towards the future

Whilst we remain mindful of the broader macro-economic uncertainties, particularly in light of the tragic conflict in Ukraine, the Group has made a good start to the new financial year, with a robust demand backdrop across end-markets. This positive momentum, along with additional brick capacity coming on stream during the 2022 year, provides us with a strong platform to deliver significant further financial and strategic progress in the current financial year.

Jonathan Nicholls
Chairman

Building for the long term

Introduction

I am pleased to report a strong performance for the year. Trading was robust, supported by strong demand across all our key markets, and good operational execution across the Group ensured we delivered a significantly improved result in 2021. Industry supply chains became more challenging during the second half of the year, making the strong financial results particularly pleasing.

2021 was also a year of good strategic development, with important progress across all three of our strategic pillars: Sustain; Innovate; and Grow. We achieved this while navigating the continuing challenges presented by the COVID-19 pandemic, ensuring that we were able to keep all of our people safe whilst continuing to serve our customers. I am extremely proud of the way that our people have delivered this year, and I would like to thank them for the passion and commitment they have shown.

During the year we set out our plans to grow our business and create strong shareholder returns in the mid-term, through a combination of growing our existing, core business alongside significant diversified expansion into new areas of construction markets. We are now launching a series of medium-term financial targets to demonstrate the scale of our ambition and help frame the potential of these plans.

Within the core business, we are investing £60 million over the next two years to redevelop our wire-cut clay brick facilities in the West Midlands, including the construction of a new state-of-the-art factory at our Atlas site, which will manufacture the UK's first net-zero carbon bricks from late 2023. This investment is on track and expected to deliver significant earnings growth from 2024 onwards.

Alongside this, to create the necessary focus on diversified growth opportunities, during 2021 we also announced the creation of a new business unit, Ibstock Futures, which will be focused specifically on fast growing sectors of construction markets. The launch project for Ibstock Futures, an investment of £50 million to build the UK's first automated brick slips factory, will enable Ibstock to take a leadership position in this market serving the fast growing mid and high-rise construction sectors.

Our commitment to environmental sustainability and social progress represents a strong unifying cause for everyone at Ibstock. Having made excellent progress over the last three years towards our original ESG targets, during the final quarter of 2021 we announced ambitious new commitments, including a target for the business to be net zero carbon by 2040.

As well as being a critical focus for delivering ESG progress, energy consumption constitutes a material element of our overall cost base. We actively mitigate energy price risk through a strategy of fixed price forward cover, and currently have around 85% of energy requirements for the 2022 year covered, along with around one-third of cover for 2023.

In light of the Group's financial strength and prospects, the Board has recommended a final dividend of 5.0 pence per share (2020: 1.6p) resulting in a full year dividend of 7.5 pence per share, an increase of 5.9p (2020: 1.6p). The total dividend for 2021 represents a pay-out of 54% of adjusted earnings.

We expect to deploy significant growth capital in the business during the 2022 year and beyond, with a growing pipeline of both organic and inorganic opportunities. The Board expects to generate capital in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review during the 2022 year.

Financial Performance

The results for the year showed significant progress on 2020, with material year-on-year improvement in all of our key financial metrics. Sales of £409 million were 29% up on 2020 and in line with the pre-COVID performance reported in 2019, as the Group performed well in healthy markets. Industry-wide supply chain challenges were well managed and the impact of inflationary pressures on our cost base was mitigated through a dynamic commercial approach in both divisions. Adjusted EBITDA* grew by nearly 100% to £103 million (2020: £52 million, 2019: £122 million), returning the adjusted EBITDA* margins to over 25%, compared to 16.5% in 2020 and 29.9% in 2019. Statutory earnings per share grew by 14.6 pence to 7.8 pence (2020: loss of 6.8 pence) reflecting the strong earnings momentum of the business.

The balance sheet was further strengthened through an excellent cash flow performance, with net debt reducing by £30 million to £39 million (December 2020: £69 million), representing a net debt to adjusted EBITDA* ratio of 0.4 times (2020: 1.5 times). The Group continued to manage capital expenditure and working capital effectively, with finished goods inventories modestly above 2020 year end levels, and capital expenditure of £25 million (2020: £24 million), including the first tranche of investment in the redevelopment of our Atlas and Aldridge factories.

Find out more

Our markets p14
Our purpose and business model p16
Our Strategy p18
Our Key performance indicators p28
Responsible Business p30
Our Principal risks and uncertainties p52

> "These results reflect continued robust demand across our markets and strong operational execution. We are also building on our ESG ambitions with the launch of our new strategic framework and performance targets to take us to 2030"

Joe Hudson
Chief Executive Officer

Divisional Review

Ibstock Clay

The Clay division delivered strong progress in the year, building on the momentum of the second half of 2020 with clay sales volumes building back towards pre-COVID levels. Supply chain conditions became more challenging during the second half of 2021, although the business was able to mitigate these issues effectively with limited impact on operational performance. Significant inflation experienced throughout the second half of 2021 across the key cost areas of energy, freight, carbon and materials was recovered by a price increase in the final quarter of the year. Our energy hedging strategy, which requires us to layer in forward cover over a number of years for both natural gas and power, provided a critical level of protection against energy prices which spiked very sharply during the second half of 2021.

Productivity and costs were well managed during the year, with the active network running at high levels of utilisation and committed fixed cost savings captured in full. Planned annual shutdowns of our network progressed as anticipated, and commissioning of our capital enhancement projects at our Leicester Soft Mud 2 (SM2) and Laybrook factories both advanced well in the latter stages of the year. Over the next six months we expect to commission the enhancement project at our Ellistown site in Leicestershire. Overall, these enhancement projects will increase clay network capacity by around 5% by mid-2022.

Divisional financial performance was significantly above 2020, and ahead of our expectations at the start of the year. Divisional revenue was £280 million in the year, 31% higher year-on-year (2020: £213 million) and around 93% of the revenue reported for 2019. Adjusted EBITDA* at £91 million in 2021 was materially higher year-on-year (2020: £44 million) and within 15% of the £107 million reported for 2019, reflecting the substantial recovery in sales volumes and the benefit of cost reduction actions. Overall adjusted EBITDA* margins moved forward year-on-year to above 32% (2020: 20.6%), back towards 2019 margin levels of 35.5%.

Ibstock Concrete

The Concrete division delivered a solid performance as it continued to benefit from its exposure to a broad range of Repair, Maintenance and Improvement (RMI) markets and resilient demand for its products. Divisional revenue in 2021 totalled £128 million, representing a 25% increase on 2020 (£103 million), and an 18% increase on 2019 (£109 million), with Longley Concrete contributing from August 2019.

On a like-for-like basis*, revenue in 2021 was 6% above 2019. Activity levels remained resilient across all product categories, with supplies of roofing, walling and flooring products showing strong growth year-on-year.

In our infrastructure business, a new spend cycle in the rail industry resulted in strong levels of demand for our products and we secured significant contracts in 2021, resulting in a healthy order book as we enter 2022. Investment in new products, focused on both sustainable solutions and increased capacity, are expected to underpin further growth in 2022.

Adjusted EBITDA* of £22 million in 2021 was 44% higher than 2020 (2020: £15 million) reflecting improved year-on-year activity levels in all categories.

Adjusted EBITDA* margins of 17% were materially ahead of the level achieved in 2020, reflecting volume benefits and a dynamic commercial approach which enabled the division to recover material levels of input cost inflation, particularly during the second half of the year. The adjusted EBITDA* margin in 2021 was below the level of 20.2% achieved in 2019, due both to a change in business mix (with Longley introducing a greater proportion of lower margin purchased product sales) and the impacts of supply chain challenges, which reduced levels of operational efficiency during the second half of the 2021 year.

Ibstock Futures

In November 2021 the Group announced the formation of Ibstock Futures; a new business unit established to capture opportunities in fast growth sectors of construction markets.

Ibstock Futures' launch project is a £50 million investment to create the UK's first automated brick slip systems factory in West Yorkshire, which will significantly increase the Group's presence in the fast-growing market for brick slip clad walling systems in the offsite and modular construction sectors.

The new factory will manufacture a wide range of different brick slips and associated systems and will incorporate the latest manufacturing technology to deliver a very significant reduction in carbon compared to both imported and domestically cut slips. In combination with high-quality offset projects, this will result in the production of the UK's first net-zero carbon brick slip. Construction at the site commenced during Q1 2022 and is progressing to plan, with commissioning expected from late 2023.

Ibstock Futures has a strong pipeline of further organic and inorganic projects, which are being progressed. These are focused on the development or acquisition of technology solutions for specific applications within high growth construction markets, including potential alternative uses for its existing clay reserves. In line with this strategy, in early 2022, Ibstock Futures completed a small acquisition to establish a strong position within glass reinforced concrete (GRC) panel technology, which is supplied into a wide range of façade applications. GRC is an exciting new technology which offers the traditional strength of concrete but with significant like-for-like material savings, bringing environmental benefits to the construction process. It falls firmly within the strategic scope of the Ibstock Futures business and we look forward to developing our offering in this area.

We expect to incur operating expenditure of around £4 million within Ibstock Futures in 2022 as we invest in research and development, and build innovation and go-to-market capability.

Strategic Update

During 2021 the Group set out a clear path for significant growth and value creation over the medium-term, with the generation of substantial additional capital to support both incremental investment and additional shareholder returns.

Central to our focus on longer-term growth and strong financial performance is the evolution of the construction market as it increasingly adopts more sustainable and industrialised processes, practices and products. Building on the solid foundations we have laid, the investments we have made and the strategic plans in place, we are excited about the potential of our development pipeline and believe we are well placed to deliver robust growth and create value for all our stakeholders.

Our operational strategy is defined across three pillars: Sustain, Innovate and Grow. We have delivered another year of strong progress against this strategy and have a clear view of our priorities in the years ahead. These are detailed further below.

Sustain

As a scale industrial business, sustainable high performance is at the heart of what we do. We are focused on three priorities: health and safety; operational excellence; and environmental performance.

Health and safety

The health, safety and wellbeing of our employees is always our first priority. During the year, we placed considerable focus on embedding our new health & safety management system across the business. This system now provides an easier and more efficient way to capture and track safety observations and concerns, ensuring that both risks and best practices can be shared and addressed. Overall, we achieved further progress in our key performance measure, Lost Time Injury Frequency Rate (LTIFR), which reduced by 44% from our 2016 baseline. We are proud that our progress around health and safety was also recognised externally, with Ibstock receiving 35 awards from the British Ceramics Confederation at their annual Pledge Awards.

Although our injury frequency rates are reducing, we have still had a number of lost time accidents, reinforcing the fact that we can never be complacent about health and safety. We remain committed to driving our business to zero harm for everyone.

Operational excellence

During 2021, we conducted a review of the Group's clay quarrying operations, identifying a number of improvements to safety practices, and delivering cost and process upgrades.

The manufacturing network performed well throughout the year, reflecting the positive impact of our investment in enhanced plant maintenance over the last few years.

Colleagues at our Chailey site celebrating over 6,000 days without a Lost Time Incident as part of World H&S day in 2021.

We made good progress in commissioning our capital enhancement projects at our SM2 and Laybrook factories and anticipate commissioning new equipment at our Ellistown factory during the first half of 2022. In our Concrete division we completed key projects at our Thornley, Anstone and Northwich plants. All of these investments will deliver further operational cost efficiencies, enhanced service to our customers and improved profitability.

Environmental performance

During the 2021 year, we made plans for the redevelopment of our wire cut brick facilities in the West Midlands which will see our Atlas factory become the UK's first Scope 1 & 2 Net Zero brick factory. We also announced that our new Nostell facility will produce the UK's first net zero brick slips when it comes on stream in early 2024.

Our sustainability roadmap, published in 2018, has provided a framework to drive progress in the environmental performance of the business. By placing environmental responsibility at the centre of everything we do, we have managed to substantially achieve many of the key milestones we set out back in 2018. During the year we took further steps to reduce Scope 1 and 2 carbon emissions per tonne of output, meaning that we have now achieved in full the objective of reducing carbon by 15% from the 2016 baseline, three years earlier than planned.

Having achieved this goal, as part of a new ESG strategic framework we have set ambitious new environmental targets, to drive focus and action across the business including:

- To reduce CO_2 by 40 per cent from 2019 levels by 2030;
- To become a net zero carbon business by 2040 (for Scope 1 and 2).

Innovate

Innovation is at the heart of our growth plans, and we are committed to the continuing enhancement of our product portfolio and customer proposition to strengthen our market-leading positions. Our initiatives are centred on three specific areas: product innovation; customer experience; and digital transformation.

Product innovation

As market leader in clay and concrete building materials, we have the broadest range of products and systems available in the UK, and we continue to invest to enhance our proposition. Highlights in 2021 included the extension of our I-Range, an offer targeting the specification market. This important market covers a wide range of project types across several industry sectors spanning low-rise to high-rise buildings; new build to renovation; and residential to commercial projects. The I-Range now includes more than 20 new bricks, representing our largest product launch for several years.

In the concrete division, we continue to innovate, using novel mix designs and materials to bring exciting new products to market which have a lower carbon footprint than established alternatives. New products in 2021 included the G-Tech railway platform coping and a lightweight polymer cable troughing, both supplied into the rail infrastructure market.

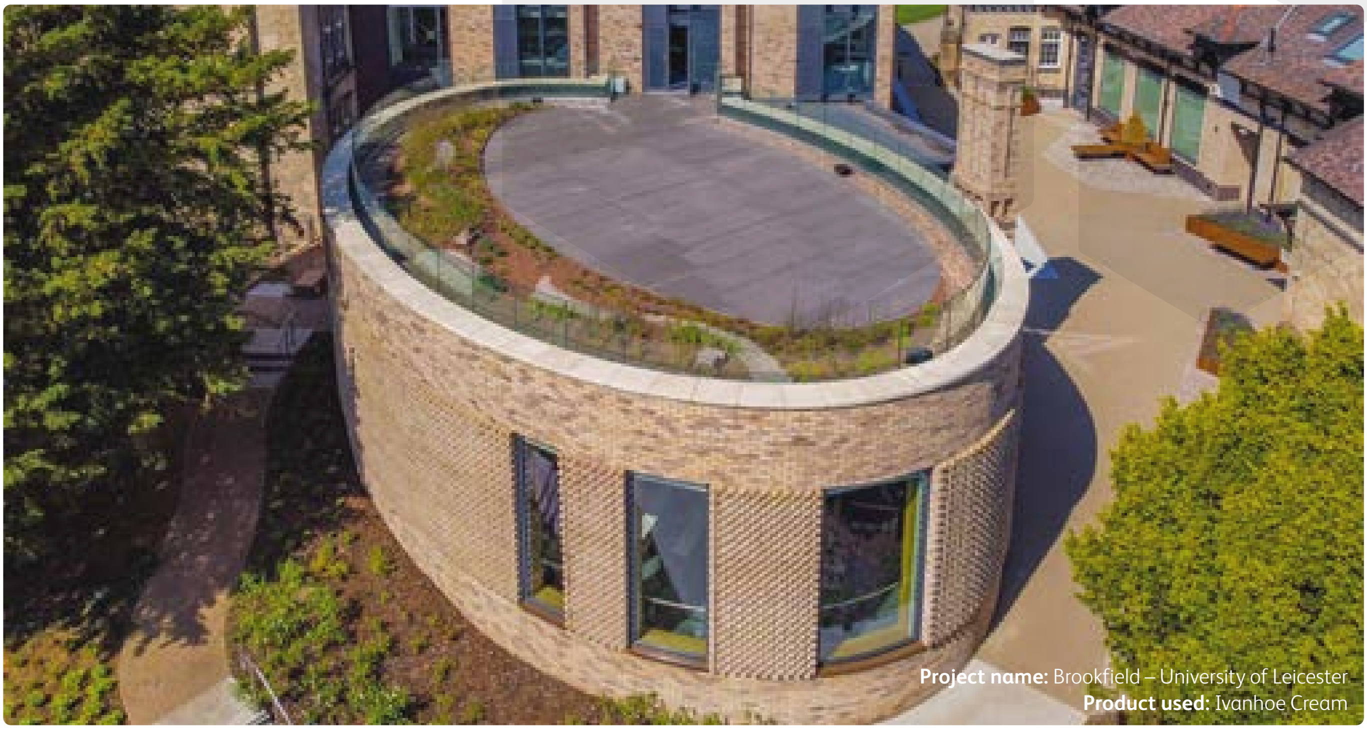
Customer experience

Work in 2021 included enhancements to our digital marketing proposition, enabling customers to better understand and access the functionality of our products and services.

Digital transformation

The digitisation of our business will be a key strategic enabler over the coming years. During 2021, the addition of advanced digital software enabled us to enhance the way we deliver design expertise and other services to our customers, particularly in the specification segment.

We also launched a new digital sales platform direct to customers for several of our concrete product categories, and are developing plans to build on this platform over the next couple of years.



Project name: Brookfield – University of Leicester
Product used: Ivanhoe Cream

Grow

During the year we developed our plans to deliver strong shareholder returns over the next five years through a combination of:

- Strong execution in our core business to capitalise on attractive short and long term growth drivers in our markets; and
- Effective diversification, which leverages the strength of our competitive position and innovation capability, to expand our range of addressable markets and accelerate growth within existing ones.

To achieve this objective we will focus on targeted investment projects and acquisitions which create value and accelerate delivery.

Investments to drive growth in our existing business

We continue to invest in our Clay manufacturing assets in order to modernise our production capability, expand capacity and improve its environmental performance, in line with our strong commitment to sustainability. Our broad, differentiated factory footprint provides us with unique optionality to make targeted organic investments to support growth over the medium-term. Our £60 million investment to redevelop the Group's wire cut clay brick facilities in the West Midlands is the latest example of our commitment to invest in our core clay business, and will deliver significant earnings growth from 2024.

In October 2021, we received external accreditation from Best Companies, as part of our Employee Engagement Survey results formally being recognised as a Good star rating employee and ones to watch.

Within the Concrete division, we see opportunities to deploy capital to realise further capacity in the network as well as achieving cost savings through greater automation, delivering faster payback at similar return levels to the existing business.

Investments to diversify our revenue base

Alongside investments to grow our existing business, we are committed to investing to broaden and diversify our revenue base, and have a number of attractive opportunities, both organic and inorganic in nature.

During the year, we announced plans to build the UK's first automated brick slip systems factory in Nostell, West Yorkshire, enabling Ibstock to take a leadership position in the slips market, thereby significantly increasing our presence in the fast growing mid- and high-rise construction sectors.

The planned £50 million capital investment will provide capacity for up to 60 million brick slips per annum. An initial investment of around £38 million, providing capacity to produce 30 million brick slips, will be spread across 2022 and 2023, with the factory commissioning from late 2023.

The factory will be constructed within the existing footprint of the Group's Nostell facility, which operated as a brick factory until its closure in 2020. The facility benefits from significant adjacent clay reserves and established infrastructure, and is well situated within the heartland of its anticipated key markets. Construction at the site commenced during Q1 2022 and is progressing to plan.

The new factory will manufacture a wide range of brick slip types and associated systems, and will incorporate the latest manufacturing technology to deliver significant reductions in carbon compared to both imported and domestically cut slips. In combination with high-quality offset projects, this will result in Nostell producing the UK's first net-zero carbon brick slip.

Acquisition by Ibstock Futures of position in GRC panel technology

In January 2022, Ibstock Futures acquired a strong position within glass reinforced concrete (GRC) panel technology, supplied into a wide range of façade applications. The acquired assets provide Ibstock Futures with an accelerated position in a fast-developing market which is expected to experience strong growth over the medium-term, as the construction industry seeks lower carbon, non-combustible forms of cladding for use in both new and existing mid and high-rise buildings. The acquired assets will enable the Group to provide customers with a complementary offer to its existing Mechslip and Nexus façade systems.

People
During 2021, we made a number of significant changes to our organisational structure, to drive efficiency and promote greater collaboration across the core business. Darren Waters joined the Group as Chief Operating Officer (COO), responsible for both the Clay and Concrete divisions. Darren has already had a strong positive impact, enhancing our focus on commercial and operational execution, and we expect to benefit further from the synergies available across the core business in the years ahead.

We also made good progress in our ambition to become a more performance-oriented business, with investment in talent management, succession planning and performance management systems during the year. We are committed to making Ibstock a place where everyone has the opportunity to reach their full potential, and we will continue to invest in the growth of our people over the years ahead.

Environmental, Social and Governance (ESG) Update
As a long-term business, a commitment to environmental sustainability and social progress have been central to Ibstock for many years. We have reduced the carbon intensity of our products by over 60% since the 1970s, and with a further year of significant progress, have now exceeded our medium-term target of a 15% reduction per tonne, which we set back in 2018. We also delivered further progress in other areas: for example, achieving an 8% reduction in mains water usage; and removing over 200 tonnes of plastic packaging from our products.

The UK construction sector has undergone unprecedented change over recent years, with increasing focus and awareness of climate change, evolving regulatory and legislative dynamics, skills shortages and supply chain pressures all creating both uncertainty and opportunity.

Having achieved the strong progress against our previous targets, during 2021 we reviewed our ESG strategy and ambitions in order to drive progress and continue to show industry leadership in this area.

We understand the importance of engaging with all of our stakeholders in establishing the areas of critical focus around ESG, and undertook a detailed materiality assessment as part of the process of defining our new ESG strategy.

This strategy is defined across three areas, and is underpinned by responsible business governance and practice:

Addressing Climate Change
As an energy intensive manufacturer, the main focus for our business is the mitigation of climate change through carbon reduction. We will decarbonise our products, processes and supply chain by focusing on carbon reduction, water efficiency and biodiversity gains. This will drive us to achieve a 40% operational carbon reduction by 2030 and to be Net Zero by 2040.

Improving Lives
Building our social value involves investing in our people, our culture and our communities. We are focused on ensuring our colleagues belong, thrive and grow and that we make a positive impact in the communities in which we operate. To this end, we have set a target to increase female senior leadership representation to 40% by 2027 as part of a proactive approach to diversity and inclusion. We are also committed to providing development and growth for all, with every employee developing their skills annually, and have set a target for at least 10% of our employees to be in "earn and learn" positions by 2030.

Manufacturing Materials for Life
We will focus on evolving our products, processes and services by incorporating whole life cycle design, reserving raw materials and future-proofing our offer to customers through a diversified portfolio.

This strategy, including our ambitious carbon reduction targets, represents a bold step on the Company's ESG journey, and underpins our ambition to be the most sustainable UK producer of clay and concrete products.

Medium-Term Financial Targets
The Group has set out a clear path for growth, delivered through a combination of investment in the core business alongside diversified expansion in new fast-growth areas of UK construction markets. In order to demonstrate the scale of our ambition and help frame the potential of these plans, we have committed to a set of medium-term financial targets:

- Target to grow Group revenues to in excess of £600 million by 2026
- Medium term profitability targets:
  - Adjusted EBITDA* Margins in Clay business of >35%
  - Overall Group margins of at least 28%
- Targeting revenues outside of traditional clay brick to represent >40% of the Group (from c.30% today)
- Committed to retaining our capital discipline with ROCE* of 20% into the medium term

Our revenue target will be achieved through a combination of:

- Volume growth in our existing network and from our already committed investments, giving us a clear pathway to revenues in excess of £550 million
- Incremental organic and inorganic initiatives in Futures, providing the potential to grow beyond our overall £600 million target.

Growth over the period is expected to be generated from a number of sources:

- The strong fundamentals of our core business are expected to underpin incremental volume and margin in our Clay division over the medium-term;
- Growth within the Concrete division through modest incremental capital investments with faster paybacks at similar rates of return to the existing core;
- Investment in the redevelopment of our wire cut brick factories in the West Midlands, which will deliver over 10% incremental capacity, building from the end of 2023;
- The investment in our brick slips systems factory in Nostell, which will deliver significant growth from 2024; and
- Our pipeline of further attractive diversified growth opportunities, both organic and inorganic, within Ibstock Futures.

Disciplined allocation of capital
Our business model is inherently cash generative and, over the next five years, based on anticipated future performance and borrowing capacity, and after making sustaining and committed growth investments and paying ordinary dividends, we expect to have over £200 million of cash available which we will deploy to:

- Make further, incremental investments to grow the core;
- Grow Ibstock Futures through innovation and acquisition; and
- Supplement shareholder returns as part of a disciplined and efficient capital management strategy.

We are confident that our strategy will deliver meaningful shareholder returns over the period and will report on our progress against these objectives as we move forward.

Outlook for 2022

Whilst we remain mindful of the broader macro-economic uncertainties, particularly in light of the tragic conflict in Ukraine, we have made a good start to 2022, with a robust demand backdrop across end markets. This positive momentum, along with additional brick capacity coming on stream during the 2022 year, provides us with a strong platform to deliver significant further financial and strategic progress in the current financial year.

Joe Hudson
Chief Executive Officer

We are well positioned in markets with positive fundamental drivers.

Through our deep understanding of the key drivers in our markets, we are able to formulate our strategy based on the biggest growth opportunities for our business.

Macro trends

- Population growth 2020-2030: +2.1m people
- Household formations per annum: c.200k
- Political support for house building: +300,000 additional homes on average per annum
- Help to Buy to continue until 2023

New Housing Market[1]

Private house building was one of the sectors to recover quickest during the COVID-19 pandemic. Although demand moderated during 2021, following the surge in demand in H2 2020, housing starts are estimated to have increased by 30% in 2021, taking them to above pre-pandemic levels. Further growth is forecast for 2022 with house builders reporting strong demand for the next 6-9 months.

	2019 (A)	2020 (A)	2021 (E)	2022 (F)	2023 (P)
Private Housing Starts	145,767	117,539	152,800	160,441	165,254
	(8.2)%	(19.4)%	30.0%	5.0%	3.0%
Private Housing Completions	165,114	135,403	161,129	164,352	164,352
	6.5%	(18.0)%	19.0%	2.0%	0.0%

Public housing activity has recovered sharply since the initial lockdown, with 2021 starts estimated to be ahead of pre-pandemic levels. Public housing will continue to benefit from a five year Affordable Homes Programme that is due to run until 2026.

	2019 (A)	2020 (A)	2021 (E)	2022 (F)	2023 (P)
Public Housing Starts	37,925	33,770	39,511	40,302	40,705
	(0.9)%	(11.0)%	17.0%	2.0%	1.0%
Public Housing Completions	41,510	31,940	37,370	38,491	39,261
	14.0%	(23.1)%	17.0%	3.0%	2.0%

With continuing population growth in the UK resulting in ongoing increases in household formation and a substantial housing deficit, the Government remains committed to significant growth in levels of house building over the mid to long-term.

Why are we well positioned?

- New build housing is a key strategic sector for Ibstock and we hold leading positions in both of our divisions
- We have long-standing strategic relationships with house builders, distributors and builders' merchants across the UK
- Broad product range across the building envelope provides differentiation and competitive advantage
- We focus on new product development and sustainability
- Ibstock Futures will provide opportunities for new systems and solutions for the new build residential market

1 Construction data sourced from Construction Products Association Construction Industry Scenarios Winter 2021/22 Edition.

Construction Market[1]

The UK Government considers construction a vital sector for the UK economy. This was evidenced during the COVID-19 pandemic where, after the initial lockdown in spring 2020, the construction sector was allowed to continue to operate throughout subsequent lockdowns. As a result, the construction industry has been highly resilient over the past two years with construction output estimated to have risen by 13.3% in 2021, taking it back to pre-pandemic levels.

£150bn 2020 > **£170bn** 2021

UK Construction Output

The Construction Product Association (CPA) Winter 2021/22 forecast (CPA Forecast) shows total construction output is anticipated to rise by 4.3% in 2022 with further growth of 2.5% in 2023.

The CPA Forecast shows:

- Construction output will rise 4.3% in 2022 and 2.5% in 2023
- Private housing output will rise by 3.0% in 2022 and 3.0% in 2023
- Public housing output will rise by 3.0% in 2022 and 3.0% in 2023
- Private housing repair, maintenance and improvement (RMI) will remain flat in 2022 and fall 2.0% in 2023
- Public housing repair, maintenance and improvement (RMI) will rise by 7.0% in 2022 and fall 5.0% in 2023
- Infrastructure output will rise by 9.7% in 2022 and 1.1% in 2023

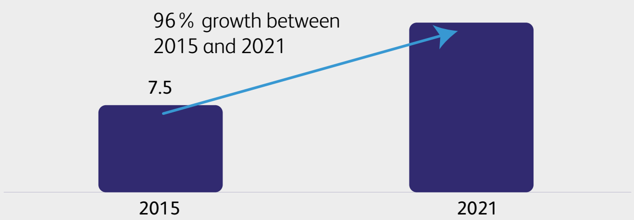
Our clay and concrete products and systems are integral components for both new build housing and housing repair and maintenance. We also have a growing position in infrastructure. The positive fundamental drivers in these sectors are expected to underpin demand for our products over the medium-term.

Growth in Diversified Markets

- Brick facades taking increasing share of fast growth markets
- Mid-High Rise Sector

Sector growth driven by recladding and build to rent market, with planning applications increasing by almost 100% since 2015. The increasing focus on non-combustible cladding offers opportunities for masonry products.

Mid to high rise active projects with approved planning permission



Group Opportunities

Strengthen leading position in core market

In the UK, the three largest brick manufacturers account for the vast majority of UK brick production. Ibstock has the largest clay brick production capability in the UK and continues to enjoy a market-leading position. In a structurally undersupplied brick market, imports coming into the UK returned to pre-pandemic levels of >450 million bricks in 2021. We believe there is a need to continue to invest in new capacity and we are committed to do so.

Why are we well positioned?

- We have invested significantly in the expansion and improvement of our production facilities over the past few years
- We continue to invest in organic opportunities to enhance production capabilities for the long-term
- We our investing £60 million in our factories in the West Midlands including the development of the world's first net zero brick factory, with a capacity of >100 million bricks per year by 2024

Infrastructure[1]

Infrastructure is a key focus area for the Government and the sector has shown strong growth in 2021, well ahead of pre-pandemic levels. Growth is expected to continue in the coming years driven by a ramp up of work on HS2 and a pipeline of other major projects.

The rail sub-sector will also see strong growth driven by Network Rail's five-year Control Period 6 (2019-2024) providing a strong pipeline of work as well as HS2 work. Rail is forecast to grow by 20% in 2022 and a further 10% in 2023. The table below shows the value (£ millions) and % annual change for the total Infrastructure sector for the forecast period 2019-2023. The data is from the CPA Forecast.

2019 (A)	2020 (A)	2021 (E)	2022 (F)	2023 (P)
22,888	21,820	26,949	29,553	29,864
3.0%	(4.7)%	23.5%	9.7%	1.1%

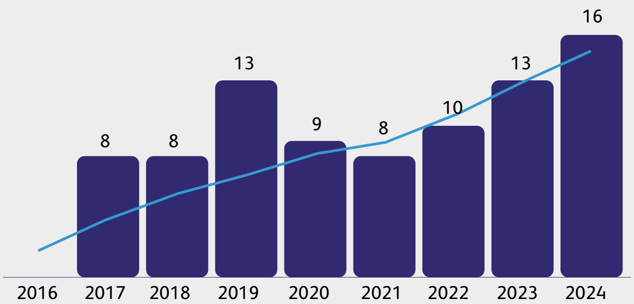
Why are we well positioned?

- We have strong relationships with customers across rail and infrastructure
- We focus on innovation and development of new solutions
- We manufacture bespoke products for the infrastructure sector

Build to Rent

Build to Rent continues to be a driver of growth across UK residential markets with the trend towards private renting forecast to grow further over the coming years.

Build to Rent UK annual starts, completions and cumulative completions
100,000 homes are estimated to be built by the BTR section by 2024



Find out more

Housing RMI[1]

Private housing RMI was another of the sectors that showed rapid recovery following the first lockdown. Demand remains high for home renovation, driven by the 'race for space' and high levels of household savings that have accumulated. With the forecast for activity is to remain flat at the current high levels during 2022 before a slight fall in 2023, output will still remain higher than pre-pandemic levels.

Growth in public housing RMI is being driven by the pipeline of cladding remediation and fire safety work, general maintenance of social housing stock and publicly funded energy-efficiency projects on council and housing association properties.

	2019 (A)	2020 (A)	2021 (E)	2022 (F)	2023 (P)
Private Housing RMI	22,740	19,894	23,276	23,276	22,810
	0.2%	(12.5)%	17.0%	0.0%	(2.0)%
Public Housing RMI	8,157	6,784	7,666	8,203	8,613
	0.3%	(16.8)%	13.0%	7.0%	5.0%

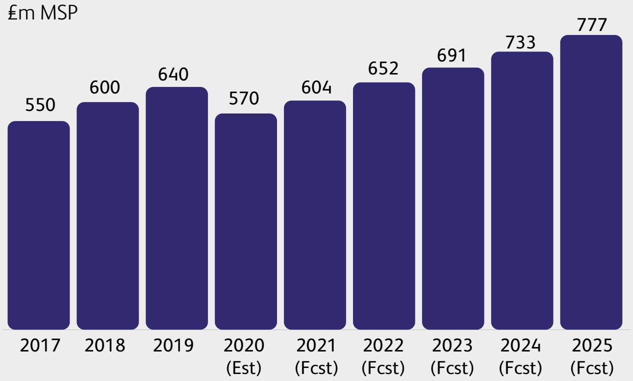
Why are we well positioned?

- We have long-standing strategic relationships with builders' merchants and distributors across the UK
- Leading range of products for housing repairs, maintenance and improvement projects
- Our MechSlip system provides a solution for recladding projects
- Ibstock Futures will present further opportunities for new systems and solutions for the renovation and recladding markets

Off-site Construction

The use of off-site manufactured systems and Modern Methods of Construction continues to grow, particularly in the off-site residential market supported by Government commitment and investment.

Market for Off-site Housing Systems
£m MSP



Why are we well positioned?

- Brick is the dominant façade material in residential projects
- We are investing in the UK's first large scale brick slip factory
- We have established systems suitable for this market
- Ibstock Futures will present further opportunities for new systems and solutions for the off-site construction market. See page 10.

Purpose and vision

Ibstock exists to build a better world by being at the heart of the building through our vision of enabling the construction of homes and spaces that inspire people to work and live better.

Who we are

Ibstock is a leading manufacturer and supplier of clay and concrete building products and solutions to the UK construction industry with a focus on the environmental and social impacts of our business, specialising in products and systems for the residential building envelope and infrastructure markets.

What we do

Our core business focuses on the residential construction sector and we have built strong relationships with our house builder, developer, builders' merchant and distributor customers over many years.

Our Business Model:

What we do

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.

Principal Risk Impact: 1. Climate Change 2. Material Operational Disruption

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.

Principal Risk Impact: 5. Financial Risk Management

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.

Principal Risk Impact: 9. Product Quality

Manufacturing

The Group has the largest brick production capacity and a strategic footprint across the UK. We also have the most modern and innovative concrete roof tile line in the UK and our concrete landscaping and flooring manufacturing facilities provide us with market-leading positions. The Group manufactures bricks through two main methods: wire cut and soft mud, which take their names from the processes to create them. The Group's concrete products are made from cement, sand, admixtures and pigments, which are mixed together.

Principal Risk Impact: 2. Material Operational Disruption

Sales

The Group seeks to differentiate itself as a manufacturer by employing people to assist specifiers and customers in their designs and efficient use of our products. 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.

Principal Risk Impact: 7. Maintaining Customer Relationships and Market Reputation

Distribution

The Group's 36 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 contractors.

What makes us different

Market Leadership
Our market-leading businesses enable us to benefit from the expected growth in demand in the UK. We have over 76 million tonnes of consented clay reserves and in excess of 144 million tonnes of clay resources, providing good support for production capacity across all our 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.

Underpinned by our values and behaviours:
Our stated values were developed internally through a series of interviews and face-to-face workshops attended by people from every part of our business.

Teamwork
We work together to achieve great things

Find out more

Resources and relationships

- Strong heritage and brand known for quality and consistency
- Well invested manufacturing facilities and technology to support customer service
- Highly skilled workforce
- Strong design focus including our I-Studio in Central London
- High barriers to entry in our market
- Strong Health and Safety (H&S) track record
- Strong balance sheet
- Operational footprint and clay reserves

The value we create for our stakeholders

Workforce
Alongside our focus on providing a safe and healthy working environment, we invest in ongoing training, development and career progression. We also encourage employee share ownership through our Sharesave scheme to ensure that value flows through to our employee stakeholders.

Customers
Builders' merchants, house builders, specialist brick distributors, contractors and installers are the five main customer groups for the Group's clay and concrete products in the UK. Customers play a crucial role in shaping our growth and driving our innovation. Building our understanding of our customers' priorities is imperative to meeting their needs. 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 and Partners
We forge long-term relationships with our key suppliers, and conduct business in a fair, open and transparent way. Our policies and procedures 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.

Communities
In addition to being an important employer as well as taxpayer in the many areas where our manufacturing facilities are located, we interact directly with the communities in which we operate, contributing to them through our work with local schools and charities.

Environment
We aim to minimise our impact on the environment wherever possible so that our business continues to be sustainable at all levels in the longer-term.

Investors
Following the impact on dividends during FY2020 we have returned to our sustainable and progressive dividend policy which is supported by businesses with structurally high margins and strong cash generation and a strategy that provides a strong platform for future growth and value creation. We are recommending a final dividend of 5.0p per share for the FY2021.

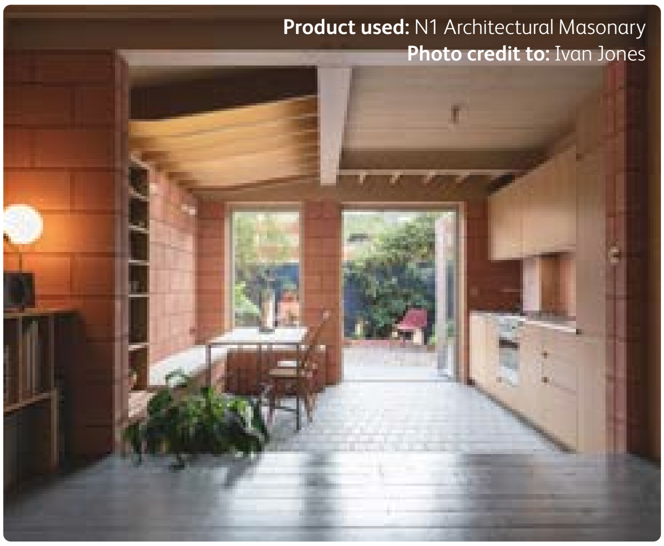
Trust
We earn the trust placed in us by delivering on our promises

Care
We care about each other, our customers and our wider impact

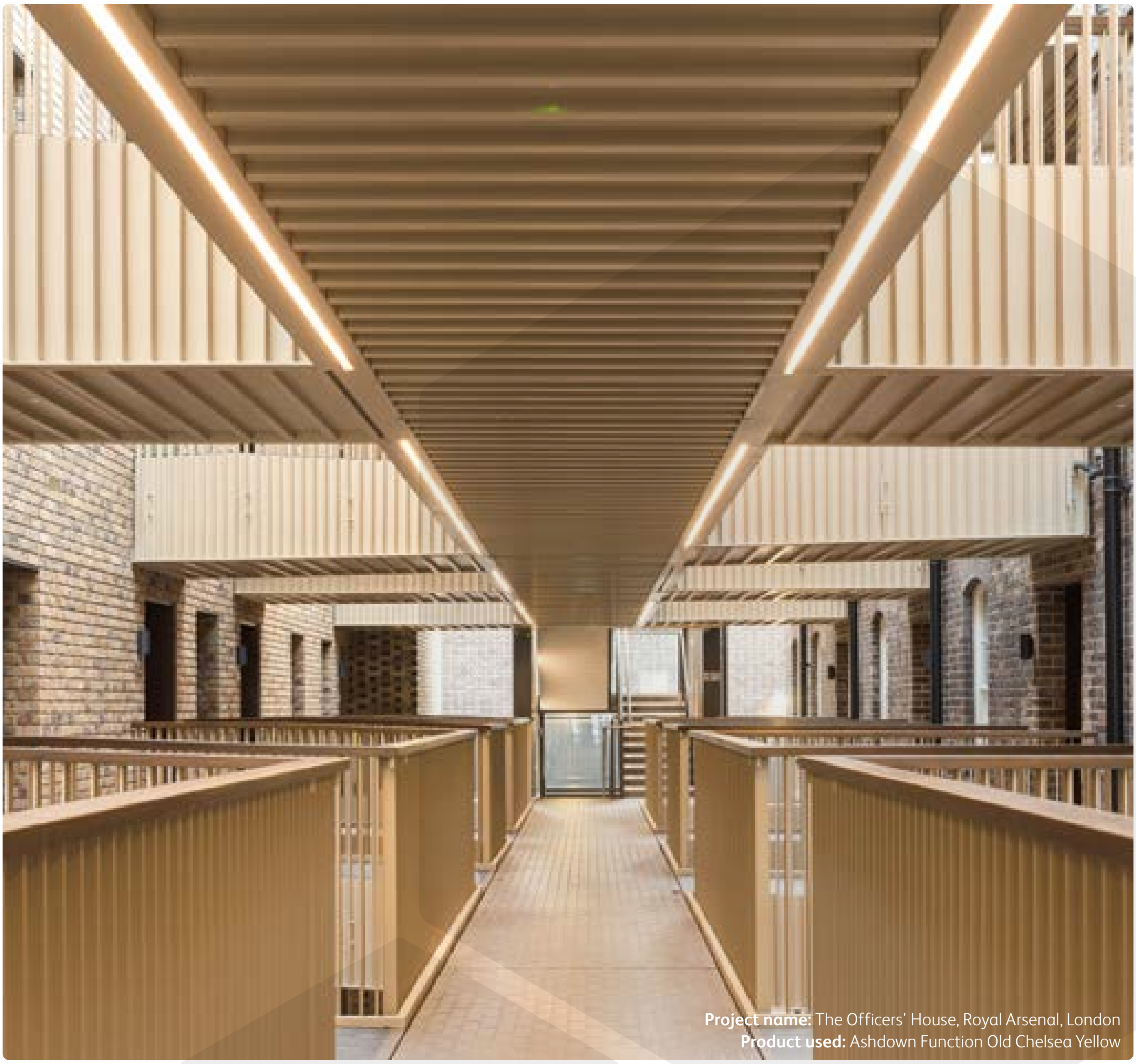
Courage
We have the courage to do the right thing

We have a clear strategy that is driven by our purpose and vision to create value for all of our stakeholders through three strategic pillars.

Ambition
To be the most sustainable manufacturer of clay and concrete building products in the UK.



Product used: N1 Architectural Masonary
Photo credit to: Ivan Jones



Project name: The Officers' House, Royal Arsenal, London
Product used: Ashdown Function Old Chelsea Yellow

Group strategic pillars

Sustain

As a scale industrial business, sustainable high performance is at the heart of what we do. We are focused on three priorities: health and safety; operational excellence; and environmental performance.

What this means	H&S	Operational excellence	Environmental performance
What we have done in 2021	• Continued focus on providing COVID-19 secure workplace • Further reduction in Lost Time Incident Frequency Rate (LTIFR). Ending the year with a 44% reduction from the 2016 baseline (see Our KPIs on page 28) • Improved our processes, systems and accelerated our safety culture, resulting in several industry awards	• Delivered capital investment projects at Ellistown, SM2, Thornley and Anstone, driving operational cost efficiencies and improved profitability (see page 22) • Advanced preventative maintenance programme–with further clay sites executing asset maintenance transformation • Progressed quarry optimisation project with focused improvements on delivering cost and process upgrades	• Achieved our goal of 15% reduction in CO_2 per tonne of production (see Responsible Business section and Our KPIs on page 30 and 28) • Sanctioned Altas and Nostell projects leading the industry on Scope 1 & 2 net zero production (see page 36) • Developed and launched stretching targets to achieve 40% carbon reduction by 2030, and become Net Zero by 2040 (see Introducing our new ESG Strategy on page 32)
Our priorities in 2022	• Deliver milestones on the H&S roadmap with completion of site-specific action plans from the standards and procedures maturity matrix • Complete wellness and health actions	• Roll out phase two of asset transformation plan for maintenance practices in clay sites • Complete remaining enhancement project at Ellistown factory • Automation and productivity improvements at concrete sites	• Work to reduce CO_2 by 40 per cent from 2019 levels by 2030; • Work to become a net zero carbon business by 2040 (for Scope 1 and 2) • See more in the Responsible Business section on page 30
Our measures of success (see Our KPIs on page 28)	• LTIFR • % Completion against target actions • % Employees trained	• Revenue • Adjusted EBITDA* • Return on Capital Employed (ROCE)* • Adjusted EPS* • Net Promoter Score (NPS)	• Carbon reduction
The risks (see Our Principal Risks and Uncertainties on page 52)	• Regulatory and Compliance • Maintaining Customer Relationships and Market Reputation	• Material Operational Disruption • Financial Risk Management • Product Quality	• Climate Change • Material Operational Disruption
ESG ambition (see Responsible Business on page 34)	• Improving Lives	• Addressing Climate Change • Manufacturing Materials for Life	• Addressing Climate Change

Group strategic pillars	Innovate **Innovation is at the heart of our growth plans, and we are committed to the continuing enhancement of our product portfolio and customer proposition to strengthen our market-leading positions. Our initiatives are centred on three specific areas: product innovation; customer experience; and digital transformation.**		
What this means	**Product innovation**	**Customer experience**	**Digital transformation**

What we have done in 2021	• Enhanced core brick range with extensions of our I-Range – 20 new bricks targeting specification market. See Strategy section on page 24
	• Further improved sustainability of our existing products including:
	  • Introduced new rail platform copings with 80% less carbon
	  • Expansion of our EcoHabitat range to support biodiversity
		• Enhanced digital marketing proposition for our customers , increasing agility, solutions and online communication support	• Development of bespoke digital bespoke software with strategic partners improving solutions delivery to customers
			• Introduced new digital sales platform for concrete products. See Strategy section on page 24

Our priorities in 2022	• Complete transformational projects (plastic reduction and material optimisation) • Deliver new and sustainable product development in year plans • Deliver a market development plan and product / solution offer for mid-high rise market segments	• Complete Clay division's order and service delivery project	• Complete phase two of the digital transformation journey for customer experience and service delivery
Our measures of success (see Our KPIs on page 28)	• Revenue • Adjusted EBITDA* • % sales from new and sustainable products	• Net Promoter Score (NPS)	• Revenue • Adjusted EBITDA*
The risks (see Our Principal Risks and Uncertainties on page 52)	• Market Uncertainty • Regulatory and Compliance • Material Operational Disruption	• Maintaining Customer Relationships and Market Reputation • Product Quality	• Market Uncertainty • Regulatory and Compliance • Material Operational Disruption
ESG ambition (see Responsible Business on page 34)	• Manufacturing Materials for Life	• Doing Business Responsibly	• Addressing Climate Change

Group strategic pillars

Grow

Clear path for growth and value creation – combining expansion in our core business and diversification into adjacent market segments

What this means	Investment in our core	Diversified growth	People

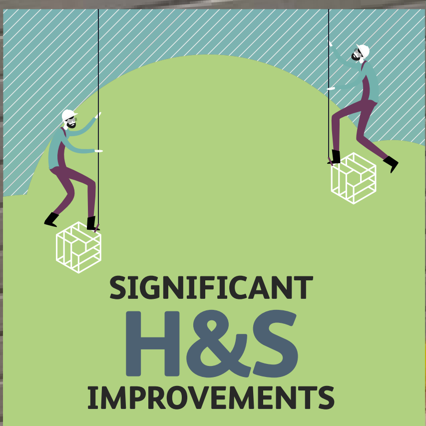
What we have done in 2021	• Progressed world's first Net Zero brick factory at our Atlas plant, West Midlands. See Environment section on page 36
	• Well-differentiated footprint provides unique optionality on further investment
		• Commitment to broadening and diversifying our revenue base
		• Establishment of Ibstock Futures to capture growth opportunities in new, fast growing sectors of the UK construction markets
		• Approval of £50 million Nostell investment to build leadership position in fast growing brick slips market
		• Acquired position in GRC panel technology in early 2022
			• Invested in capability:
			  • Operational structure optimised for efficiency and collaboration
			  • New experienced COO appointed
			  • Enhanced focus on commercial and operational execution
			• Invested in everyday people performance and talent development to attract, retain and develop our leaders for today and tomorrow
			• Progressed Board composition and diversity improvement. See Chairman's Statement on page 6, Responsible Business section on page 30 and Corporate Governance Statement on page 80

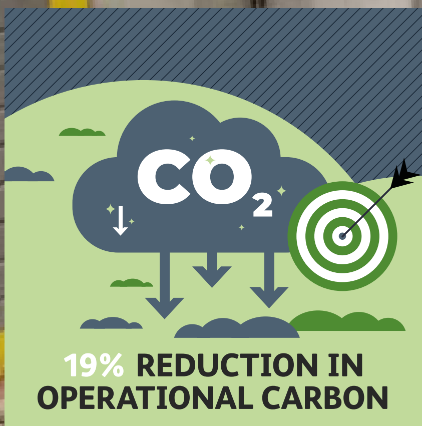
Our priorities in 2022	• Complete project milestones for the Atlas and Aldridge projects in the West Midlands
	• Complete project milestones to develop the UK's first automated brick slip systems factory in Nostell, Yorkshire
		• Develop organisation, strategy, governance and mid-term goals of Ibstock Futures	• Deliver talent and capability outcomes for:
			  • early careers
			  • strategic recruits
			  • D&I project

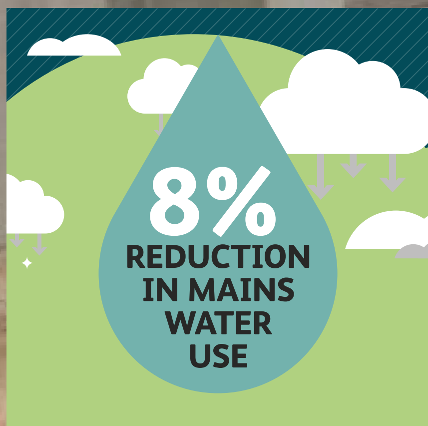
Our measures of success (see Our KPIs on page 28)	• Revenue • Adjusted EBITDA* • Net debt to Adjusted EBITDA* • ROCE* • Adjusted EPS*	• Revenue • Adjusted EBITDA* • Net debt to Adjusted EBITDA* • ROCE* • Adjusted EPS*	• Female representation at Senior Leadership Team Level. See Responsible Business page 38
The risks (see Our Principal Risks and Uncertainties on page 52)	• Market Uncertainty • Regulatory and Compliance • Financial Risk Management. • Product Quality	• Market Uncertainty • Regulatory and Compliance • Financial Risk Management • Product Quality	• Market Uncertainty • People and Talent Management
ESG ambition (see Responsible Business on page 34)	• Addressing Climate Change • Manufacturing Materials for Life	• Addressing Climate Change • Manufacturing Materials for Life	• Improving Lives

Driving efficiency and reliability for a sustainable business

SUSTAIN: OTHER HIGHLIGHTS







Further operational excellence

Moving into the final stages of commissioning at our Ellistown site Tom Blagden, Project Manager for the enhancement project, shared the latest update on how the project has progressed.

“Ibstock is now in the final commissioning stages of the Ellistown enhancement project and on track for completion to drive the increased capacity, production rate efficiency and profitability goals for the site. More importantly, the enhancements will drive an improved health and safety environment for our colleagues.

It has been great to see the project progress – with the investment focused on a new set of dryers, leveraging the historical infrastructure to minimise project shutdown period, as well as an upgrade of the setting machine and shaft mixer.

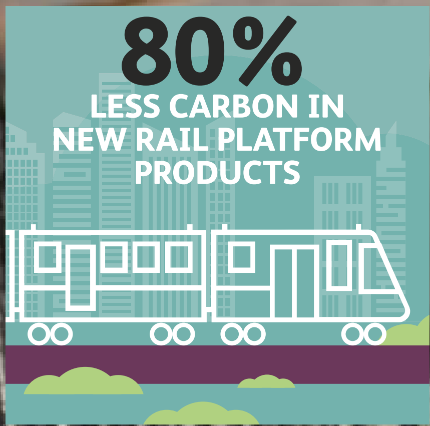
As commissioning progresses to completion, the speed of production will increase until we hit our target of over 50 million bricks per annum ahead of the projects final sign off.

Every project is different, with different challenges, different technologies, different processes, and different people. One of the most exciting aspects of any project is seeing the new equipment up and running at full speed, which in turn brings fresh motivation and pride for the team.”

With a proud history dating back to 1988 when the Ellistown plant was first built, we have an exciting future ahead.

Driving market led innovation

INNOVATE: OTHER HIGHLIGHTS



The largest product launch for several years...

Innovation is a key focus of our product development activity, both in terms of making improvements to our existing ranges and developing new products and systems,. We are committed to the continuous enhancement of our product portfolio in order to underpin our market and margin leadership.

New product development is at the heart of our growth plans, with the emphasis this year in our Clay division focusing on enhancing our core brick range to introduce new and exciting products targeted at the specification market. This resulted in the significant expansion of our I-Range of products, an extensive collection of bricks targeted at architects and specifiers. The I-Range includes more than 20 new bricks making a uniquely comprehensive domestic offering and helping us strengthen our position as the number one brick manufacturer in the UK (by production capacity).

We also made excellent progress on further improving the environmental credentials of our existing products. For example, in our Concrete division we have introduced new rail platform copings with 80% lower carbon concrete. This was achieved using complex concrete mix design utilising replacement ingredients to lower the carbon content of the finished product. In our Clay division, our dematerialisation project has progressed well and we have successfully increased the void sizes at our Parkhouse factory, which reduces consumption of raw materials and embodied carbon. This dematerialisation project is advancing at several of our other manufacturing sites with further products expected to reach the market throughout 2022.

We have also enhanced our EcoHabitat product range as part of our focus on biodiversity. The latest addition to our extensive range is our new Bee Brick. This development was a result of our ongoing discussions with key customers to identify new product opportunities. The introduction of this new product is also timely with the increasing focus on biodiversity net gain in new build developments and supports our leading position in the market.

Driving growth through expansion in core business and diversification into adjacent market segments

GROW: OTHER HIGHLIGHTS

The UK's first Brick Slips Systems factory

The Group announced the launch of its new business unit, Ibstock Futures, in November 2021. This will target an immediate opportunity to increase the Group's presence in façade products and solutions for the fast-growing off-site and modular construction markets in both the new build and re-cladding markets, with products suitable for a wide range of residential, commercial and mixed-use applications. Furthermore, Ibstock Futures is developing a range of projects across the construction value chain and will also focus on leveraging the Group's competitive position to drive value through its ESG credentials, including potential alternative uses for its existing clay reserves.

As Ibstock Futures' launch project, Ibstock will invest £50 million in the construction of the UK's first automated brick slip systems factory in Nostell, West Yorkshire. The factory will be constructed within the existing footprint of the facility, which operated as a brick factory until its closure in 2020. The facility benefits from significant adjacent clay reserves and established infrastructure, and is well situated within the heartland of its anticipated key markets. Construction at the site commenced during Q1 2022 and is progressing to plan.

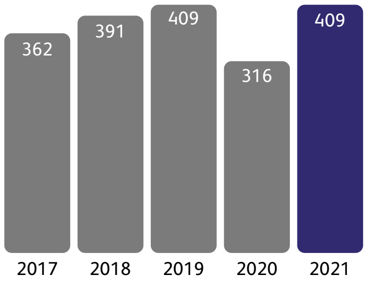
Brick slips provide a durable, safe and energy efficient alternative to other cladding solutions. The UK market for brick slips is significant, with annual volumes of circa 120 million slips, and is growing fast. The addition of a significant brick slip capability will be highly complementary to the Group's existing clay brick business and the investment will enable Ibstock to take a leadership position in the market, significantly increasing its presence in the fast growing mid and high-rise construction sectors.

Ibstock Futures will enable us to accelerate growth and diversify our revenue base by targeting fast growing areas of the UK construction market. Specifically the development of products, technologies and solutions aligned to two key trends shaping the construction sector: sustainability and modern methods of construction.

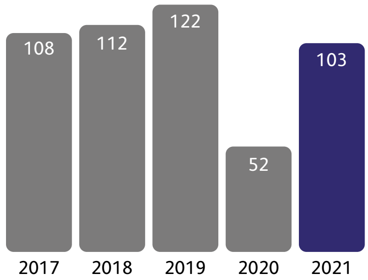
The new factory will manufacture a wide range of different brick slip types and associated systems, and will incorporate the latest manufacturing technology to deliver a very significant reduction in carbon compared to both imported and domestically cut slips. In combination with high-quality offset projects, this will result in Nostell producing the UK's first net-zero carbon brick slip.

Financial

Revenue £m



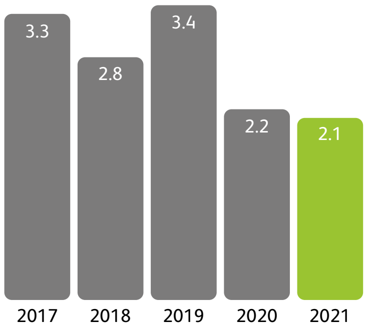
Adjusted EBITDA* £m



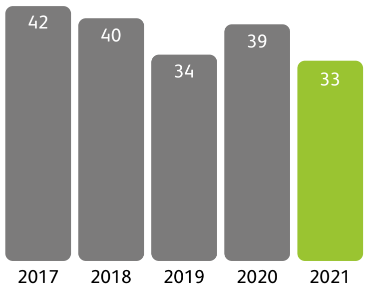
	Revenue £m	Adjusted EBITDA* £m
Description	Revenue represents the value for the sale of our building products, net of local sales tax and trade discounts.	Represents profit before interest, taxation, depreciation and amortisation after adjusting for exceptional items*.
Why important?	Revenue provides a measurement of the financial growth of the Group.	Adjusted EBITDA* provides a key measure to assess the Group's profitability.
Link to strategy		
Remuneration linkage	No specific linkage to remuneration structures at present.	A key financial measure within the Annual and Deferred Bonus Plan (ADBP).
2021 performance	Sales of £409 million were 29% up on 2020 and in line with the pre-COVID performance reported in 2019, as the Group performed well in robust end markets.	Performance in 2021 compared to 2020 benefited from increased sales volumes in both divisions, dynamic commercial pricing to offset cost inflation, and resilient operational performance in the face of sector-wide supply chain challenges.

Non-financial

Lost time injury frequency score

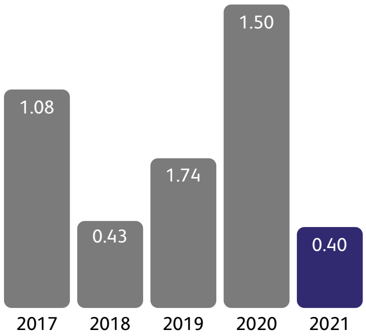


Net promoter score %



	Lost time injury frequency score	Net promoter score %
Description	The number of lost time injuries occurring in our workplace per one million hours worked.	As part of our annual satisfaction survey, customers are asked how likely they are to recommend the Group to friends and colleagues. Responses are between zero (unlikely) to 10 (very likely). The Net Promoter Score (NPS) is derived from the proportion of our customers scoring 9 or 10 less those scoring 6 or lower.
Why important?	The measure gives a picture of how safe a workplace is for its workforce.	It is used as a proxy for gauging our customer's overall satisfaction with our products, service levels and the customer's loyalty to the brand.
Link to strategy		
Remuneration linkage	No specific linkage to remuneration structures at present although it is a core part of our values and underpins personal objectives in all plans.	No specific linkage to remuneration structures at present.
2021 performance	Further reduction from the 2019 baseline.	The industry wide challenges around product availability and longer lead times have had an impact on our NPS score for 2021

Net debt to adjusted EBITDA* £m



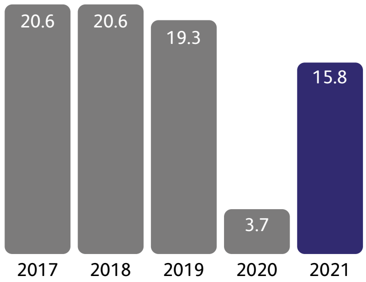
Net debt, comprising short- and long-term borrowings less cash, over adjusted EBITDA* (as defined) prior to the impact of IFRS 16.

Net debt to adjusted EBITDA* provides a useful measure in assessing the Group's financial strength.

No specific linkage to remuneration structures at present.

The Group maintained its intense focus on cost and capital management, delivering an excellent cash flow performance for the year reducing leverage to 0.4 times.

ROCE* %



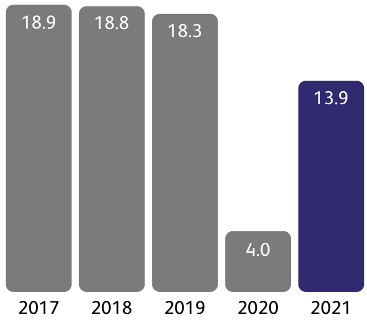
The ratio of profit before interest and taxation, after adjusting for exceptional items*, to average net assets and debt (excluding pension).

ROCE* provides an indication of the relative efficiency of capital use by the Group over the year.

A key measure within the current LTIP with a weighting of 25% of total opportunity.

The substantial improvement compared to the prior year reflected both a significant increase in profitability, as well as a modest reduction in the capital base, as both working and fixed capital were well managed.

Adjusted EPS* Pence per share



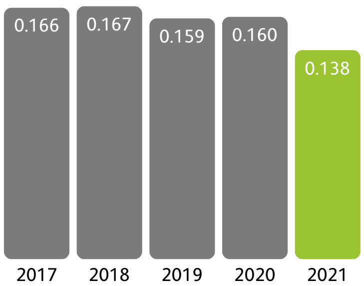
Basic earnings per share adjusted for exceptional items*, amortisation and depreciation on fair valued uplifted assets and non-cash interest, net of tax (at the Group's effective tax rate).

Adjusted EPS* provides useful information in assessing the performance of the Group and when comparing its performance across comparative periods.

A key measure within the current LTIP construct with a weighting of 25% of total opportunity.

Adjusted basic EPS* increased significantly from last year, reflecting the increased adjusted EBITDA* achieved in the year and a modest reduction in the adjusted effective tax rate.

Carbon reduction



KPI shows the amount of carbon produced per tonne of finished production in the manufacture of building products.

Provides a key measure of our progress against our carbon reduction target (see page 34) and demonstrates our commitment to addressing our impacts on the environment through the reduction in our use of energy.

Forms one element of a new ESG performance measure under the LTIP with 20% of opportunity when aggregated with other elements.

Achieved 2018 target of 15% reduction three years early.

Share of revenue from new products %[1]

1 No data collected prior to 2019.

Proportion of revenue as defined above generated from new and sustainable products introduced to the market within the last five years.

This demonstrates our progress relative to our new product development goals.

Forms one element of a new ESG measure under the LTIP with 20% of opportunity when aggregated with other elements.

Continued innovation leading to increased number of new products.

Key

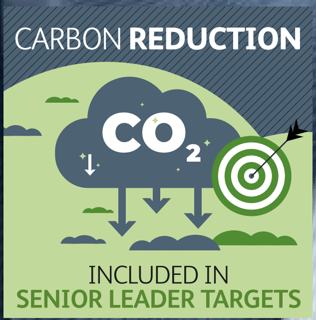
Sustain: sustainable performance

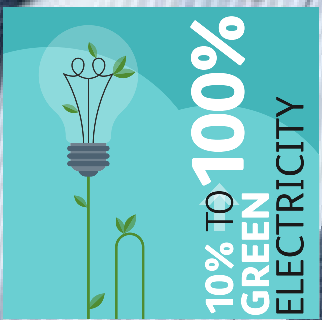
Innovate: market-led innovation

Grow: selective growth

Responsible Business

HIGHLIGHTS





Introduction

Across the globe we have a collective responsibility when it comes to climate change and social inequalities. Our approach to managing the Environmental, Social and Governance (ESG) issues that are inherent in running an enlightened business underpins our corporate strategy and is critical for the continued long-term future of our business.

Ibstock has an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in disclosure and transparency. With over 200 years of history, being a responsible business has always represented a strong unifying cause for Ibstock . Our activities around quarries, energy use, long-term capital investments, as well as the products that stay in buildings for hundreds of years, require sustainability to be at the heart of our decisions. However, we realise that the building sector is in the midst of further major shifts. Changing attitudes; a demand for transparency; and a widespread need for solutions to address climate change and social inequality, from all of our stakeholders have intensified. We see this as an opportunity to think differently about our business.

ESG Committee

We announced the constitution of a new ESG Committee in our 2020 Annual Report and this began operating from the second quarter of the year. The Committee is chaired by Claire Hawkings, one of our independent Non-Executive Directors with years of experience in this space, and includes Louis Eperjesi and myself as members. With support from our in-house Sustainability team as well as expert external input from Isabel McAllister, Responsible Business Director at Mace Limited, the Committee has led a full and comprehensive agenda over the course of four meetings in 2021 and has organised and clarified our approach going forward. The first report of the Committee can be found in the Governance section on page 89.

Introducing the ESG Strategy 2030

For the past decade, we have been leading in this area, driving incremental improvement and embedding change across the business. We took the bold step of establishing an initial sustainability roadmap with targets in 2018, a number of which we have delivered ahead of time, but we recognise a need to go much further, much faster. Therefore I am delighted to be launching the next stage in Ibstock's journey through our new ESG strategic framework including a commitment to become a net zero carbon business by 2040 – demonstrating how serious we are in our contribution to tackling climate change.

Based on an updated stakeholder assessment, this new ESG strategy sets out a framework with three areas of focus for the coming years. We believe this will help guide us to continue to take the necessary actions to future proof our business in areas that are material for our stakeholders.

More information can be found on page 32.

FY 2021 – A year of delivery

I am very pleased to say that we are already ahead of some of those targets that were established as part of our original sustainability roadmap in 2018. A full review of our performance during the year can be found from page 45 and you can read more in our standalone Sustainability Report which is available on our website.

For example, we have achieved our goal of 15% reduction in CO_2 per tonne of production, removed over 200 tonnes of plastic waste from our operations and broken ground to build our new Atlas factory in the West Midlands. This will have outstanding sustainability characteristics, incorporating state of the art technology, with significantly reduced process emissions, resulting in a major reduction in carbon intensity. We belive that, in combination with a planned investment in high quality environmental projects to offset the remaining carbon, the Atlas site will be the first net zero brick manufacturing facility in the UK.

Ibstock also led the way in becoming the first company in our sector to procure 100% electricity from renewable sources. We received external accreditation by Best Companies, as a 'Good Company to Work For' through our 2021 employee engagement survey and our new COO is actively sponsoring Diversity and Inclusion by chairing the employee led Working Group. We know our employee population reflects the traditional nature of our industry, and we have plans to change this. We have also achieved a C- rating following our first submission to the Carbon Disclosure Project.

Enterprise risk and Taskforce for Climate-related Financial Disclosure (TCFD)

We have considered climate risk as part of the business's existing risk management processes alongside the work that we have been doing in order to meet the new TCFD reporting requirements. We have also reflected that the delivery of the new ESG strategy should form part of the existing principal risk of Climate Change.

Further information on our principal risks and TCFD can be found on page 52 and page 48.

Stakeholders

To ensure our long-term success we must take account of what is important to all key stakeholders. Pages 40 to 42 set out details of our key stakeholder groups and a snapshot of their principal areas of focus, how we engage and how we respond. Consideration of our stakeholder interests forms a significant part of the Board decision-making process and further information on this can be found in the Section 172(1) Statement and the Corporate Governance Statement on pages 70 and 83 respectively.

ESG and Remuneration considerations

Last year we took the important decision to include a performance condition that tracked our carbon reduction plan progress within the business for use within the Long Term Incentive Plan (LTIP) and to be included as one of the Group's non-financial KPIs. We have agreed to go further this year and include a new ESG performance measure for the 2022 LTIP that will track our progress against three specific targets included in the new ESG strategy.

Further information on this can be found in the Directors' Remuneration Report on page 99.

Structure of this section

The first part of this report sets out full details of our new ESG framework including our new and evolved milestones and ambitions. A full review of those material developments and achievements during 2021, including the summary of our engagement with our key stakeholder groups, starts on page 36 . For simplicity and clarity we have collated all key data in the reporting section on page 45. This includes our TCFD disclosure.

Joe Hudson
Chief Executive Officer

Introducing our new ESG strategy

We began our sustainability journey with a five-year Roadmap of 2025 targets to tackle our key sustainability issues. We are now in a position to evolve this into a 2030 strategy that will meet our immediate needs and drive us forward to succeed in the longer-term.

The built environment sector has undergone unprecedented change in the last five years with climate change, regulatory and legislative dynamics, skills shortages and supply chain pressures creating both uncertainty and opportunity. Ibstock's new ESG strategy defines a new era of responsible business as one where Ibstock:

1. Values creativity to develop a more diversified product portfolio
2. Invests in innovative low carbon solutions and technologies
3. Drives mainstream circularity in the building sector, conserving finite resources and championing materials transparency
4. Nurtures our people and future skills to achieve our goals in an era led by digital technology and data
5. Develops solutions that support affordability, climate resilience and skills shortages

Materiality

To make our strategy relevant to all our stakeholders we completed an assessment to identify those issues of most importance to our stakeholders and that had the greatest impct on our Company. The table below illustrates the key priorities for different stakeholders, but is by no means exhaustive and can be subjective. The information is based on desktop reviews, customer feedback, people surveys and interviews and seeks to best capture the perspectives of all our stakeholders.

As a result of this analysis and following internal discussion and prioritisation Ibstock's new strategy focuses on three key areas and is underpinned by existing responsible business governance and practice:

Addressing Climate Change

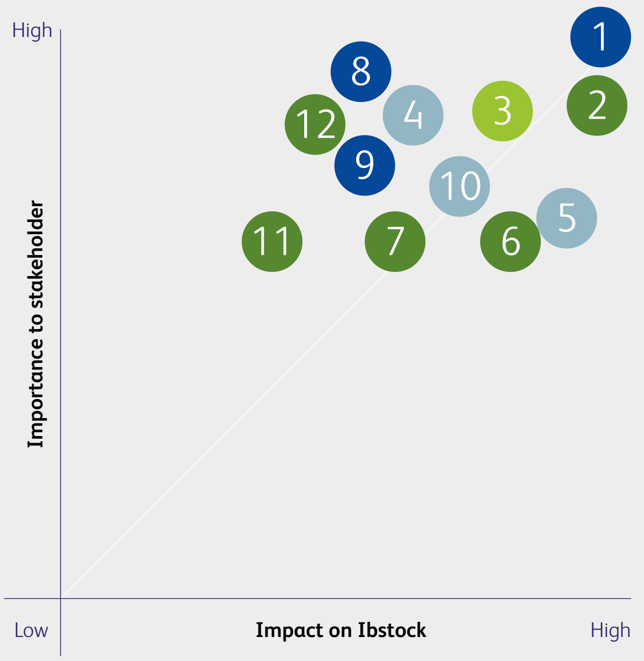
As we are an energy intensive manufacturer, the main driver for change is the mitigation of climate change through carbon reduction. We will decarbonise our products, processes and supply chain by focusing on carbon reduction, water efficiency and biodiversity gains. This will drive us to achieve the 40% operational carbon reduction by 2030 and to be net zero by 2040.

Improving Lives

Building our social value by investing in our people, our culture and our communities. Ensuring our colleagues belong, thrive and grow and that we make a positive impact in the communities that we operate.

Manufacturing Materials for Life

Evolving our products, processes and services by incorporating whole life cycle design, preserving raw materials and future proofing our offer to customers through a diversified portfolio.



Definition
1 Climate Change
2 Health, safety and wellbeing
3 Ethics
4 Resource use
5 Innovation
6 Talent and skills
7 Employee engagement
8 Biodiversity
9 Water use
10 Circularity
11 Communities
12 Diversity and Inclusion

- Addressing Climate Change
- Improving lives
- Manufacturing Materials for Life
- Governance


ADDRESSING CLIMATE CHANGE
Biodiversity net gain
Water efficiency
Carbon reduction
IMPROVING LIVES
Health, safety & wellbeing
Inspiring futures
Employee experience
MANUFACTURING MATERIALS FOR LIFE
Product innovation
Dematerialisation
Circular economy
Ibstock Plc
ESG Strategy 2030
GOVERNANCE - DOING BUSINESS RESPONSIBLY

ESG strategy summary

Focus | **2030 Ambitions**

Carbon reduction
Reduce absolute Carbon by 40% (Scope 1 and 2) against a 2019 baseline

Biodiversity Net Gain
Achieve Biodiversity Net Gain across our estate using Biodiversity Metric 2.0

Water Efficiency
Reduce mains water use by 25% per tonne of production against a 2019 baseline

Health, Safety and Wellbeing
Ensure all of our employees can be at their best more of the time through our health, safety and wellbeing strategies

Inspiring Futures
Provide development and growth for all with every employee developing their skills annually and 10% in Earn and Learn positions

Employee Experience
Increase female senior leadership representation to 40% by 2027 as part of our proactive approach to diversity and inclusion

Innovation
Achieve 20% sales turnover from new products and solutions that deliver enhanced customer value and improved sustainability

Circular Economy
Embed circular economy principles into the business, prioritising zero waste and driving demand for secondary materials markets

Dematerialisation
Reduce raw materials consumption with a focus on plastics, secondary aggregate and cementitious replacements

Milestones	SDGs	Rationale
• 2022 – Scope 3 carbon reduction strategy developed • 2023 – Net zero (Scope 1 and 2) carbon brick factory • 2024 – 100% of mobile plant to be hybrid and/or electric • 2024 – On-site renewable energy generation review published • 2026 – Biodiversity Action Plans implemented across all sites • 2023 – Water footprint and reduction strategy implemented	6 7 12 13 15	• Water scarcity is a growing concern in the UK and risk to our business • Self-generation of renewable energy reduces our carbon impacts and reliance on the national grid • Production efficiency is at the heart of modern manufacturing and we continuously strive to improve by reducing energy and materials consumption • Building climate risk and opportunity into our business model supports our decarbonisation journey • All sites operate with due care and consideration for biodiversity. Moving to a net positive position will see Ibstock introduce more proactive biodiversity programmes
• 2022 – Launch mental health programme • 2023 – Launch wellbeing strategy • 2022 – Establish social value framework • 2026 – 200 Ibstock colleagues as active STEM Ambassadors • 2022 – Launch Building Belonging • 2023 – Commence ethnicity data pay gap reporting	3 4 5 8	• Wellbeing of our employees is paramount in enabling them to perform, develop and thrive at work and at home • Education, training and development of our people is essential for our success as is our support for future generations entering our sector • Proactively supporting women into the construction sector helps tackle the skills shortage and brings diversity of thought to the way the sector behaves • Ibstock's Modern Slavery Statement can be found on our corporate website
• 2022 – Ibstock Futures launches • 2024 – Net zero (Scope 1 and 2) Slips factory opens at Nostell • 2024 – Research into alternative and secondary materials published • 2025 – Zero waste to landfill achieved • 2024 – Product data transparency project update • 2022 – Impacts of clay dematerialisation project published • 2025 – 40% plastic reduction achieved	9 11 12	• Innovation in building products and solutions will support the transition to a low carbon economy and transform the industry • Creating sustainable products that meet the needs of our customers to build connected, integrated and healthy communities presents a growth opportunity • Preserving raw materials for future generations and sourcing responsibly safeguards our business and our suppliers

Environment

Throughout 2021, we continued to take action to reduce our carbon, waste, water and packaging impacts and to plan for the long term by finalising our commitment to achieving net zero operations by 2040.

Carbon

We achieved a 19% reduction in carbon against the 2015 baseline that goes well beyond our original target of a 15% reduction by 2025. This has been possible through a combination of leadership, factory consolidation, energy purchasing and capital investment in major operational improvement programmes. Continued operational efficiency and transformational initiatives also contributed significantly during the year in 2021.

One of the most significant actions was our investment in procuring 100% of our electricity from renewable sources. This equates to around 20,000 tonnes of carbon, or the equivalent of a 6% reduction in the emissions metric.

The significance of this investment goes beyond our own direct impacts: by taking early action we are supporting the demand for renewable energy sources across the UK; and setting an example for others in our sector, our peers, customers and suppliers, to take similar action. Our colleagues also overwhelmingly welcomed this investment.

Product development

New product development continued to grow with 13% of revenue coming from new and more sustainable products, showing good progress against our 20% target. See Our KPIs and Our Strategy sections on pages 28 and 18 respectively for more information.

Evolving our core products to reduce carbon and improve their sustainability credentials continued with a focus on creative design mix for our concrete products. Using cement alternatives and increasing recycled content has the benefit of reducing weight, which reduces transport loads and improves manual handling, as well as reducing embodied carbon.

Working more closely with our customers on carbon reduction is also a growing opportunity. Network Rail approached Ibstock and our partner G Tech Ltd. with a specific request to produce a lower carbon platform coper. The joint investment in equipment, people, resources and trials has enabled us to develop the product together, sharing and learning as a team. The new product mix provides an 80% carbon reduction and is now available in the marketplace.

Water

We have continued to focus on improving data collection for our mains water usage and this will continue into 2022 so that we are able to provide a full and more detailed picture. Data improvements have shown that our usage has decreased significantly from previous estimates with an 8% reduction against the 2015 baseline.

Waste

Only 13% of our general waste goes to landfill (total general waste in 2021 was 3,500 tonnes). This is an improvement of 80% against the 2015 baseline. This significant improvement is in part due to collaboration and engagement with our waste management companies through the provision of more meaningful and detailed reporting data. We are currently reviewing our waste management providers and have made it a requirement for those companies participating in this tender that they must be able to assist Ibstock in achieving its zero waste to landfill ambitions by 2025.

Plastic

In the year under review, we achieved our short-term target to remove 200 tonnes of

Atlas redevelopment

We began the redevelopment of our new Atlas factory in the West Midlands during 2021. The £50 million investment in the site to produce over 100 million bricks annually will provide the market with the first clay brick products that are net zero carbon in their manufacture (Scope 1 and 2). The Atlas factory will be a pathfinder project for Ibstock, incorporating leading technology and improving carbon efficiency of production by 50% compared to the previous factory on the site. The site will enable us to test and learn from new technologies and roll out successful processes across our estate. Atlas will not only be a flagship for decarbonisation, it will also benefit the local economy. Local jobs and local spend during construction and into the operational phase will bring opportunities to enrich the local community and recruit a new and more diverse workforce.

Our journey to net zero

2018 →
Achieving initial goals
- 100% electricity from renewable sources
- Solar Park at Ibstock HQ delivering energy to site
- 19% reduction in CO_2 per tonne of production against 2015 baseline
- 8% reduction in mains water per tonne of production against 2015 baseline

2022 →
Accelerating change
- Energy from alternative sources
- 100% of mobile plant and company cars to be hybrid and/or electric
- Biodiversity Net Gain
- Commissioning of Atlas factory (net zero operations)
- Commissioning of Nostell Brick slips systems factory (net zero operations)
- Further major capital investments
- Develop Scope 3 emissions strategy

2030 →
Scaling Solutions
- Energy from alternative sources
- Expansion of diversified portfolio
- Core products = low carbon products
- Circularity embedded
- Carbon capture use and storage scaled
- Balance any remaining emissions that cannot be eliminated with natural or technical solutions

2040

NET ZERO BY 2040

CONTINUED OPERATIONAL EFFICIENCY & ESTATE RENEWAL

preventable plastic packaging. The dual focus of reducing the thickness of plastic shrink wrap and moving to a cap bag for clay bricks has contributed significantly to this reduction. As a result we have achieved a 13% reduction against the 2019 baseline, putting us on track to achieve our 40% reduction target by 2025. Supply pressures during 2021 have meant that we have not always been able to access lower micron product so we will be working with suppliers to mitigate this risk for 2022. Discussions with our customers, competitors and sector representatives on understanding the barriers and potential solutions for eliminating plastic are starting to challenge some of the cultural and historical reasons why plastic is expected rather than required in many packaging products.

Collaboration
Working directly with suppliers on carbon reduction initiatives began in 2021 with Ibstock's first supplier engagement day. Held at our I-studio in London, six of our key suppliers, with significant material impact on our Scope 3 emissions, joined us to share details of their own decarbonisation experiences and explore opportunities for collaboration in this area. As a result our procurement team have added sustainability as a standing item in all supplier quarterly review meetings in an effort to build a mutual understanding of challenges faced and to identify opportunities for change.

More than three quarters of our suppliers now meet the Sustainable Supplier Code of Business Conduct. As one of a number of recommendations coming out of the recent governance and compliance review, the Code will be relaunched in the early part of 2022. For further information on the Governance Compliance review see page 76.

Ibstock has been a long term member of the Supply Chain Sustainability School achieving Gold status in 2021. We have committed to be partners of the School and will now be contributing financially to the development of the School's offer. We will also utilise training modules in-house for our people development and engage in content creation for our sector and supply chain.

Net zero commitment
Having made such strong progress, with a 19% reduction in our carbon per tonne of production, we announced a more stretching target at the end of 2021. Our new target is to achieve 40% reduction in absolute carbon by 2030, and a commitment to become a net zero carbon operation by 2040.

Our net zero commitment covers Scope 1 and 2 emissions – including investment in more efficient production processes and in high quality environmental projects to offset residual carbon. Ibstock's Scope 3 carbon emissions are currently less than 40% of the business impact and our strategy to reduce indirect Scope 3 carbon emissions will be developed in 2022.

The announcement of Ibstock's investment in two new net zero carbon factories at Atlas and Nostell as well as the creation of 'Ibstock Futures' demonstrate some of the actions that Ibstock is taking in order to meet these ambitious targets.

Social

Our people are central to our business success and we are proud of our evolving culture. We continue to embed our values that were designed and created by employees from all areas and levels of the business. We are confident that these values reflect what people feel Ibstock represents as a business and a place to work and that they encompass the behaviours necessary to underpin our culture, decision-making and processes going forward.

Health and Safety

We are committed to building a safe, healthy and happy workplace where our people can reach their full potential. The Executive Leadership Team (ELT) and the wider senior leadership group take an active responsibility towards our workforce health and wellbeing and play a positive role in not only encouraging physical wellness, but social and mental health as well.

COVID-19

The COVID-19 pandemic continues to present challenges and drive us to prioritise the health and safety of our colleagues, customers and partners. Whilst the business has shown real resilience to some of the ongoing effects of the pandemic we have worked hard to maintain appropriate safety measures for the whole of 2021.

Safety performance

Our ambition is to achieve zero harm for all of our people. We are making progress against our health and safety targets with a 44% reduction in the LTIFR in 2021 relative to our 2016 baseline. The continued implementation of the health and safety roadmap this year has enabled us to drive a sustained and focused approach through a combination of leadership, training and development and strong communication and feedback. In addition to introducing several updated health and safety standards, we also rolled out a more comprehensive management system to help us monitor and track health, safety, quality and environmental activities.

Although our injury frequency rates are reducing, we have still had a number of lost time accidents; some with high severity. Following a serious accident with one of our employees in 2019 which resulted in life changing injuries, we received a significant fine from the HSE. This reinforces the fact that we can never be complacent about health and safety. We remain committed to learning lessons from these accidents and are determined to drive our business to zero harm for everyone.

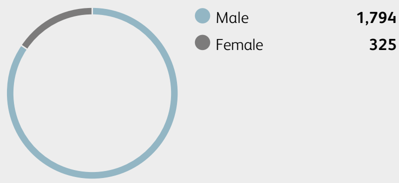

Colleagues receiving Safety awards at the 2021 British Ceramics Confederation (BCC) Pledge Awards

Health and wellbeing

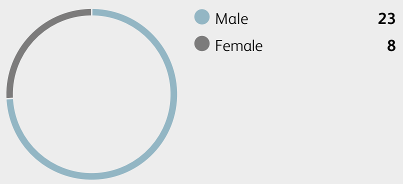
Usage of the Ibstock Employee Assistance Programme rose from 2.9% to 4.9% during the year. This, supplemented with ongoing discussions with our colleagues through our engagement forums and the Wellbeing Working Group showed an increased need to continue to develop our support structures to assist with our colleagues' wellbeing. Ibstock delivered a range of programmes from toolbox talks, on-line yoga and resilience training through stress awareness month, a menopause awareness campaign and our '6 Sessions of Summer' campaign to engage colleagues in weekly physical or mental wellbeing challenges. We began 2022 with our first 'How to start a conversation about mental health' workshop delivered to all employees as an integral part of Ibstock's regular Health and Safety Safe Start process.

In addition, we engaged an external consultant to conduct a Wellbeing and Mental Health audit so that we could establish a clear baseline to guide our future actions and recommendations in this area.

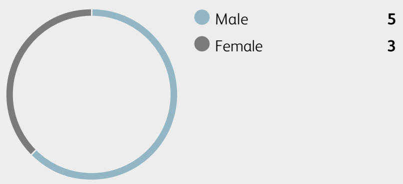
All employees



Senior Management (Executive Leadership Team and their direct reports)



PLC Board Directors



People

Diversity & Inclusion (D&I)
Ibstock's employee population reflects the traditional nature of our industry with lower levels of diversity across a number of characteristics. We are making an active stand to change this. Darren Waters, COO, is providing executive sponsorship, chairing our D&I Working Group which consists of 17 passionate and inspired colleagues.

Outputs from this have included Ibstock senior leaders experiencing a bespoke D&I disrupt training event to explore unconscious bias and all colleagues have been provided with access to a range of workshops and support on this important topic.

We appreciate how fundamental D&I is to our ongoing cultural development and there is an extensive programme of engagement, led by colleagues for colleagues, planned for 2022.

Communication and Employee Engagement
This last year has seen a further shift in how we connect and communicate with our colleagues. We have been leveraging technology to assist with this and the MyIbstock intranet is now becoming well established within the business, accompanied by a mobile app, which enables our colleagues to access company information quickly and efficiently. Digital display screens at manufacturing sites provide another channel for information sharing and interaction and our first Ibstock Informed LIVE event reached hundreds of colleagues – our largest single interactive event to date. This focus on communication and wider engagement activity is paying off, evidenced by a significant improvement in our overall employee engagement survey rating since the last survey in 2019. We have now officially received external accreditation from Best Companies as a 'Good company to work for'.

The Listening Post, our forum established to facilitate two-way communication with employees met three times during the year. This forum meets the requirements of the UK Corporate Governance Code and provides an opportunity for a number of Ibstock colleagues representing different parts of the business to get together with Joe Hudson, our CEO and an independent Non-Executive Director from the Board, in order to discuss issues, ideas and concerns raised by their colleagues. The meetings covered a range of issues including health, safety and wellbeing, business performance and the 'must win battles' the employee engagement survey, remuneration initiatives and Ibstock's communication approach.

Talent and Career Development
We continue to drive improvement in our talent pipeline with talent succession planning and development programmes in place for critical roles. This links right through to our early careers focus on apprentices and inspiring young people into construction and engineering careers through our schools and college engagement.

Science Summer School

In our third year working with the Science Summer School we connected with local schools, colleges and businesses in Skelmersdale and Rotherham, both communities where we have factories. We saw over 1,000 young people get out of school for the first time in months and have a truly inspirational day with Science, Technology, Engineering and Maths careers at the heart of the experience. Raising aspirations and raising Ibstock's local profile as an employer brings value to society and our business.


Students at summer school 2021

Colleague charity champions raising money for our Charity partner Shelter, UK

Our award winning apprentice programme was once again shortlisted for 2021 'Apprenticeship of the Year' in the Leicestershire Business Live awards. We are incredibly proud that 11 of our existing engineering apprentices successfully completed their end-point assessments in 2021 and secured permanent roles in the business, with a new cohort of nine apprentices also joining Ibstock during the year. In response to skills shortages in the sector we widened our early career talent programme with apprentice roles now in support functions, giving us a total of 38 currently studying on our Early Careers programmes across the Group.

At site level, factories have been reaching out to local colleges to offer product donations and careers information to local learners. Over 83,000 bricks and many tonnes of concrete products have been donated to support local colleges and training centres to develop young people in construction and engineering trades. Raising the profile of careers in the construction sector is crucial to help tackle the skills shortage we are facing.

Communities

Supporting disadvantage groups
Work with our charity partner Shelter has gone from strength to strength in 2021. The realities of the pandemic have seen a total of 222,360 households be tipped into homelessness, a number equivalent to a city the size of Liverpool, reinforcing the importance of our support. The business matches all employee fundraising for Shelter, raising nearly £130,000 since the start of the partnership in 2019. Walking challenges, virtual bikes rides, car washes, silent auctions and even a socially distanced summer fête have helped colleagues connect, through a difficult year, behind this important cause. The impact of this effort supports Shelter in its campaigning work and the practical support and advice provided for those that are homeless or at risk of homelessness.

Stakeholder Engagement

Our Board carefully considers the outcomes of any engagement with stakeholders as part of their duty to act in the way, they consider, would be most likely to promote the success of the company (s172 of the Companies Act 2006). This results in an approach whereby decisions are made that result in consistent high standards of business conduct and the success of Ibstock in the long term.

By understanding and considering each key stakeholder's interests, priorities and views the Board is able to consider these when making decisions where such interests and priorities conflict. Although the Board engages directly with some stakeholders, engagement also takes place at different levels within the business. The output from engagement below Board level is reported back to the Board and/or Board Committees and helps to inform both Board and other business-level decisions. During 2022 we will develop a set of appropriate key performance indicators that will provide better insight around the effectiveness of our engagement processes so that we can adapt and amend our approach where necessary.

The Section 172(1) Statement can be found on page 70. Key activities and an explanation of some of the principal decisions undertaken by the Board in 2021 are detailed on page 83.

Investors

We are openly and actively engaging with our shareholders to build their understanding of our business and trust in our strategy.

What matters to them:
Key material issues for our shareholders relate to: the resilience of the business model in light of long-term sectoral and macro trends, access to sufficient capital and long-term financial returns (including dividend levels).

ESG matters continue to increase in significance with TCFD, carbon data disclosure and diversity considered to be high on the agenda of our investors.

How we engage at Board level:
Members of the Board including the CEO and CFO meet with shareholders and analysts as part of the regular annual cycle. Communications are maintained with the market in accordance with all requirements and we publish results and trading updates through the year. Feedback from these meetings and communications are reported to the Board on a regular basis.

FOR EXAMPLE One of our top 10 investors visited our Bedford and Leighton Buzzard production facilities late in 2021. This visit enabled management to demonstrate the positive steps which we are taking to invest for sustainable growth at two of our key concrete facilities.

How we engage across the Company:
We provide market updates through Ibstock Informed which is cascaded by senior leaders throughout the business to all of the workforce to share the interests and priorities of our investors with the business.

Weekly updates including market performance are provided from the ELT through 'The Week' video message which is accessible to all colleagues.

Communities

Engaging with our local communities strengthens our business. Our relationships with communities closest to our sites are vital and we build trust through local dialogue.

What matters to them:
We recognise the key material issue for our communities relates to responsiveness to local concerns, ongoing local dialogue, environmental impacts including biodiversity and local wildlife. Our stakeholders in education and training increasingly put value on integrating work related learning and careers into the curriculum and experiential learning for young people and those from more disadvantaged communities – linking to the levelling up and social mobility agenda.

How we engage at Board level:
The members of the ESG Committee receive a quarterly summary of material issues or points of interest from Ibstock's communities stakeholder champions including the Estates Team, Early Careers, Charity Champions and Factory Managers. This enables the Board to understand how issues are resolved and opportunities identified.

Through MyIbstock, significant content is shared by colleagues on our community work and charitable activities. The Board are able to engage and respond to this.

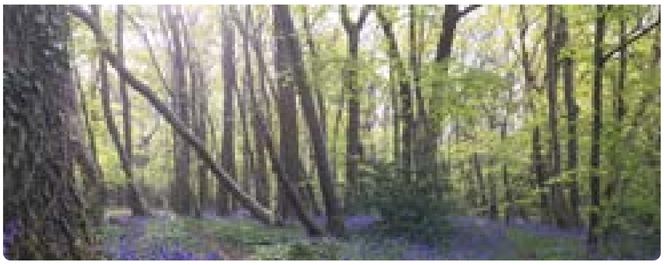
FOR EXAMPLE the ESG Committee heard a presentation on how Ibstock is working locally in Rotherham with Wales High School to build a skills and talent pipeline and encourage young people to consider STEM careers in the wider construction sector.

FOR EXAMPLE in late 2021 the plc Chairman joined in the HEARTS Vs HOMES bike race for Shelter. The teams clocked up over 1,000 miles in 2 weeks raising over £1,500 for Shelter, which is matched by the Company. Engaging with the teams and celebrating the success gave an insight into the power and impact that supporting a charity can have on purpose, engagement, motivation and pride in working for Ibstock.

How we engage across the Company:
We engage with our communities in a range of ways including:

- Factory manager links with their local neighbours and community leaders
- Estates team relationships with local authorities
- Charity Champion network for Shelter
- Early Careers team engagement with training and education sector
- MyIbstock sharing community stories

Environment



We are committed to delivering positive environmental change to help create a sustainable future for all. Leading in sustainability requires ongoing internal and external engagement to enable the pace of change required.

What matters to them:
Key material issues for the environment include climate change and reducing our carbon emissions; reducing our water footprint and reducing our waste (including packaging). Increasingly we consider circularity in the construction sector to maintain the value of materials and preserve use of virgin materials, biodiversity net gain and data transparency across environmental indicators as material issues.

How we engage at Board level:
The ESG Committee reviews environmental KPIs for the business including Carbon, Waste, Water and Plastics. The Sustainability Steering Group's update paper on progress and challenges is a standing agenda item on the ESG Committee. At each Committee a 'deep dive' is carried out on a specific ESG issue.

FOR EXAMPLE in May 2021 the ESG Committee focused on water reduction taking a tour of the Eclipse factory to review the water reuse system in place. The ESG committee requested fast tracking implementation of Automatic Meter Readers for water at every site to improve mains water usage data and management.

How we engage across the Company:
Our Sustainability Steering Group brings departments from across the business together to focus on ESG KPIs. All manufacturing Operations Reports provide metrics on their relevant ESG indicators. Issue specific groups share challenges and progress with the Sustainability Working Group, for example the Biodiversity Working Group and Plastic Reduction Working Group.

Ibstock Informed covers ESG matters as a standing item. This is cascaded by senior leaders to all colleagues.

All colleague briefings on ESG issues took place throughout 2021 with a focus on carbon reduction.

Workforce

We believe that building a safe, healthy and happy workplace where our people can reach their full potential strengthens our business. Listening and understanding to employees views and ideas is a key part of our culture.

What matters to them:
We understand that colleagues value our culture of caring for people and the sense of teamwork. They want to see increased focus on personal development, consistency and fairness around pay and benefits and increased visibility with senior leaders.

Our colleagues value our work on social and environmental issues, especially climate change and biodiversity.

How we engage at Board level:
The Listening Post is our formal mechanism for workforce engagement and sharing employee views with the Board.

Our Best Companies engagement survey results are shared with the Board.

MyIbstock provides employee blogs and thought pieces which members of the Board are able to interact with.

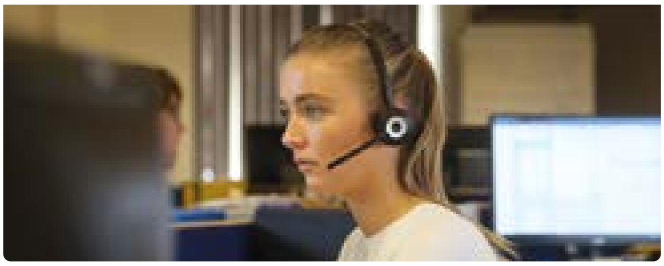
Board members visit our sites and senior management join meetings for specific items.

How we engage across the Company:
Dialogue with colleagues and feedback is enabled through:

- The Week – weekly video update from an ELT member posted on myIbstock and emailed to all colleagues for comments/questions/feedback
- Ibstock Informed – cascaded by the senior leadership team to all colleagues
- MyIbstock news and colleague blogs
- Best Companies Engagement Survey
- Safe Start conversations
- Lunch and Learn briefings

In 2021, each member of the ELT visited a number of different sites as part of a Group roadshow to share priorities and hear views from all site colleagues.

Customers



Customers are at the centre of what we do, shaping our growth and driving our innovation. Building our understanding of our customers' priorities is imperative to meeting their needs.

What matters to them:
Key material issues for our customers relate to: product value and quality, volume and availability, the quality of customer service, and strong, collaborative relationships. Product lead times and price levels were particularly pertinent in 2021.

Continued increase in requests for embodied carbon data of our products and sustainability credentials of the business as our customers pursue their own ESG ambitions.

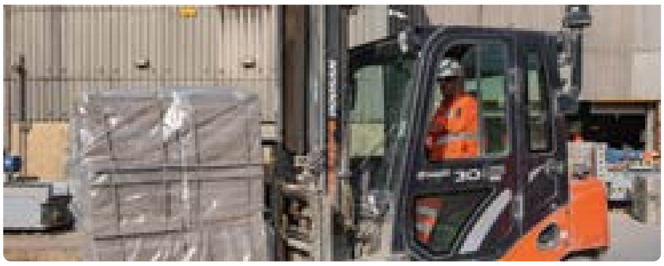
How we engage at Board level:
The Board receives updates on the relationships with existing customers. Customer and employee feedback is fed into Board discussions, which ultimately shapes strategic decisions, including plans related to capital investment and innovation.

FOR EXAMPLE the market insight leading to the Board's investment approval for Ibstock Futures is based on robust understanding of customer priorities and the future trends for the sector.

How we engage across the Company:
We engage with our customers in a variety of ways, through our:

- Account Manager Teams
- Customer Service Team
- Design and Specification Advisors
- Customer feedback
- Quality and complaints team
- Social media

Suppliers



Strong relationships with suppliers and industry partners are key to our sustainable growth. Sharing challenges and opportunities helps deliver better outcomes for all.

What matters to them:
Key material issues for our external partners relate to: being treated fairly during the sourcing stage, solid two-way communication channels, timely financial settlements and strong, collaborative relationships.

How we engage at Board level:
The Board receives regular updates on matters relating to:

- Partnerships and opportunities
- Procurement efficiencies and challenges
- Regulatory horizon scanning

FOR EXAMPLE the Board received an update on Project 80, a leading pilot in collaboration with Midland Heart Housing Association, Birmingham City University and the Building Alliance to develop the first social housing built to Future Homes Standard 2025. Building understanding of the direction of the sector and Ibstock's impact and role.

How we engage across the Company:
We engage with our suppliers and partners in a variety of ways, through our:

- Regular supplier review meetings
- Procurement Team meetings
- Supplier Sustainability Code of Business Conduct
- Knowledge sharing from key external boards and partner projects

Governance

The Governance section that begins on page 74 sets out how the Board and its Committees operate and apply the principles the Corporate Governance Code and other regulation and best practice. This section provides information regarding the management of ESG issues specifically and includes key performance data. Ibstock's first TCFD disclosure can be found on page 48.

How we manage ESG at Ibstock

The oversight of ESG matters is critical. It not only allows the Board to understand more holistically the impact of its decisions on key stakeholders and the environment, but also ensures it is kept aware of any significant changes in the market. This includes the identification of emerging trends and risks, which in turn can be factored into its strategy discussions. ESG is overseen principally by the Board, the ESG Committee and the ELT. Claire Hawkings, one of our Non-Executive Directors, is the designated Director with overall accountability for ESG matters. Claire oversees the review and performance of our ESG agenda work as Chair of the ESG Committee.

A full report of the activities of the ESG Committee's activities can be found on page 89. To support management and operational integration of sustainability throughout the business a Sustainability Steering Group was established during the year. This Group is supported by a number of specific working groups that are dedicated to specific areas of the new ESG strategy with a responsbility for the delivery of specific targets.

Further information on Ibstock's sustainability activities can be found in the separate sustainability report which is available on our website.

Ibstock plc Board

ESG matters are considered as a regular agenda item

ESG Committee

Manages strategy and progress against the Group's wider ESG agenda

ELT

Reviews performance and manages the implementation and achievement of ESG strategy

Sustainability Steering Group

Drives sustainability strategy and programmes,
supports integration of sustainability across the Group and divisions

Operations

Site level targets on resource efficiency, engagement and community

Innovation and transformation

Sustainability criteria integral to all decision-making

Managers and individuals

Encouraged and supported to make sustainable changes, share ideas and best practice

Compliance with law and regulation

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.

Ibstock operates appropriate policies and procedures to ensure that risks from unethical conduct and illegal business practice are reduced and eliminated as far as possible. These underpin our Code of Business Conduct, which together with our Supplier Sustainability Code of Business Conduct, sets out the behaviours expected of our staff and the third parties we do business with.

Oversight of the operation of the Group's key policies in this area has been delegated to the Audit Committee who, in turn, make recommendations to the Board. There have been no reported breaches of the Group's Code of Business Conduct in 2021.

The Code of Business Conduct is underpinned by a number of additional standalone policies including those covering bribery and corruption, competition law and data protection. Taken together these policies ensure that we operate in an open, fair and honest manner in all of our business dealings.

Modern Slavery

We support the Modern Slavery Act 2015.

Our Modern Slavery Policy confirms our zero tolerance approach to any potential or actual breaches of the policy and sets out the steps taken by Ibstock to prevent modern slavery and human trafficking in its business and supply chains. The Company's full Modern Slavery Statement can be accessed on the corporate website.

Whistleblowing

To help us encourage the highest standards of ethical behaviours, 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 twice-yearly basis. There were seven incidents reported through the external whistleblowing line during the year (2020: 7).

Anti-Bribery Policy

We prohibit any inducement which results in a personal gain and is intended to influence action which may not be solely in the interests of the Code.


Colleague from our head office site

Sustainable Procurement Policy

We have policy and framework guidelines for all procurement activity in order to maintain the highest standards of integrity.

Sustainability Policy

As part of our vision for sustainable growth, we continuously work to better measure, record and reduce our greenhouse gas emissions.

Diversity and Inclusion Policy

We are committed to ensuring our culture is inclusive. Any type of discrimination including harassment, victimisation, favouritism and bullying is not accepted.

Trade Association Policy

Our Trade Association Policy helps to support employees in their dealings with fellow employees, customers, suppliers, regulators and colleagues in competing businesses.

Health and Safety Policy Statement

We are committed to ensuring the health and safety of all our colleagues.

For more information relating to all of the aforementioned policies please see our corporate website.

Compliance training

Ibstock's web-based compliance training is completed by appropriate employees and covers a wide range of the Group's policies and codes of practice, including anti-bribery, conflicts of interest, business ethics and diversity.

Human rights

Ibstock is supported by the principles set out in the UK Declaration of Human Rights and the requirements of the Human Rights Act and seeks to act accordingly in all aspects of its operations.

Tax strategy

Our tax strategy is published on the Group's website. This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our vision for tax is to be a responsible corporate citizen, contributing the right amount of tax to society on time and in the right tax jurisdiction. Ibstock resides only in the UK and not in countries considered as partially compliant or non-compliant according to the OECD tax transparency report or blacklisted or grey listed by the EU in February 2022.

ESG Data and Reporting

In this section we have set out all key ESG data. In addition to the summaries presented here, we also provide disclosures in our separate Sustainability Report.

2018 Roadmap Targets

	Roadmap Measure / Priority	2021 Data	2020 Data	2025 target
Product innovation	% of sales turnover from new and sustainable products	13.0%	11.7%	20%
Supply chain	% of procurement spend meeting Suppliers Sustainability Code of Conduct	78%	77%	100%
Carbon	% reduction in CO_2 per tonne of production (relative to 2015 baseline)	19%	6.5%	15%
Water	% reduction in mains water use per tonne of production (relative to 2015 baseline)	8%	10% increase	5%
Waste	% general waste to landfill	13%	64%	Zero waste to landfill
Plastic packaging	% reduction in preventable plastic packaging (relative to 2019 baseline)	13%	Target set in 2020	40%
Health and Safety	% reduction in LTIFR (relative to 2016 baseline)	44%	41%	50% (by 2023)
Apprentices	Number of apprentices on programme	38	35	Continued commitment to early careers
Diversity and Inclusion	Developing a culture of inclusivity and increasing our diversity	Progressed	Progressed	Progress
Community engagement	% sites reporting on community engagement	100%	100%	100%
Charity partner	Fundraise for Shelter	£130K raised since inception of the partnership to end of 2021	£70K raised in year one of our partnership	£170K over 3 year partnership

Streamlined Energy and Carbon Reporting (SECR) disclosure

	2015	2019	2020	2021[1]
Scope 1 Tonnes of CO_2e combustion of fuel and operation of facilities	329,749	349,200	223,229	288,557
Scope 2 Tonnes of CO_2e	48,530	28,429	16,429	19,648
Electricity TWh used per annum	0.11	0.11	0.07	0.09
Intensity Ratio Tonnes of CO_2e per tonne of production	0.170	0.159	0.160	0.138

1 All emissions and energy are consumed in the UK. For reporting purposes, Ibstock defines its organisational boundary on an operational control basis, and our Scope 1 and 2 emissions and other ESG metrics are reported on this basis (i.e. account for 100 per cent of such emissions from operations over which Ibstock plc has operational control. 'Scope 3' is the term used to describe the indirect GHG emissions resulting from activities in our value chain but outside of our operational control.

Ibstock originally set a carbon reduction target of a minimum 15% by 2025 based on a baseline of 2015 performance for Scopes 1 and 2 based on an intensity ratio of tonnes of CO_2e per tonne of production. Emissions are calculated by applying global warming potentials and emissions factors to the activity data. Measurement of the reduction in carbon forms the basis of a strategic KPI that was also used as a fourth measure in the LTIP for awards granted in 2021.

Throughout 2021 Ibstock procured 100% of its electricity through Total Gas & Power's Pure Green energy tariff. This enables us to report zero emissions for electricity under the GHG Protocol Corporate Standards, Scope 2 as the electricity can be matched to Renewable Energy Guarantee of Origin (REGO) certificates.

Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol (January 2015 revised edition). In January 2015, the GHG Protocol published a guidance document on method used to account for Scope 2 greenhouse gas emissions, which introduces dual reporting:

- Location-based reporting, which reflects emissions due to electricity consumption from a conventional power grid. It therefore uses primarily an average emissions factor of the country's energy mix.
- Market-based reporting, which reflects emissions from energy consumption taking into account the specific features of the energy contacts chosen, and also considers the impact of the use of energy from renewable sources.
- Electricity emissions factors allow the hierarchy defined in the new Scope guidance document of the GHG Protocol for market-based reporting. Suppliers specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates).

Data Assurance

Lucideon CICS Limited (a global assurance provider) are providing independent 3rd Party Assurance to the ISAE 3000 standard over a number of the metrics reported in this section. The full assurance statement will be available on the Company's corporate website from 28 March 2022.

Sustainability Accounting Standards Board (SASB) table

The following table covers our wider sustainability metrics, which is aligned where possible to the SASB disclosure for construction materials. We will continue to review this data suite on an ongoing basis for future reporting periods

CO_2e Emissions & Energy

Topic	Metric	2020	2021
Scope 1 emissions	Tonnes of CO_2e combustion of fuel and operation of facilities	223,229	288,557
Scope 2 emissions	Tonnes of CO_2e electricity	16,429	19,648
Intensity ratio	Tonnes of CO_2e per tonne of production	0.160	0.138
Other fuels for mobile plant and company cars	Litres of fuel used per annum	2,085,811	2,956,121

Water

Topic	Metric	2020	2021
Mains water	M^3 mains water use per annum	165,983	197,883
Intensity ratio	M^3 mains water use per tonne of production from 2015 baseline	0.110	0.092
Recycled water	M^3 non-mains water use per annum	834,832	962,560
Total water	M^3 total water use per annum	1,000,815	1,160,443

Waste

Topic	Metric	2020	2021
Tonnes of waste to landfill	Tonnes of general waste sent to landfill	1,888	278
Tonnes of hazardous waste (landfill)	Tonnes of hazardous waste sent to landfill	204	178
Intensity ratio	Tonnes of waste sent to landfill per tonne of production from 2015 baseline	0.001	0.0002
Tonnes of waste recycled	Tonnes of waste recycled and diverted from landfill	3,709	3,034
Total tonnes of waste	Total tonnes of waste generated by the business	5,801	3,490

Plastic

Topic	Metric	2020	2021
Packaging	Total tonnes of plastic packaging	998	1,476
Intensity ratio	Kg of preventable plastic per tonne of production from 2019 baseline	0.69	0.72

SASB table continued

Social

Topic	Metric	2020	2021
Health and Safety – LTIFR	No. of accidents per million of man hours worked	2.2	2.1
Employee engagement	Best companies score %	N/A	61.2%
Training days	No. of Days	6,712	4,066
Employee population	Total number of employees	2,064	2,119
Training days per employee		3.3	1.9
Employee Diversity – Gender	% of women	15.7%	15.0%
Board Diversity – Gender	% of women	28.5%	37.5%
SLT Diversity – Gender	% of women	18.5%	19.0%
Community engagement	% of sites	100%	100%
Charitable Contributions	product donations	Not available	83,094
Suppliers complying with Code of Business Conduct	% of Suppliers	77.0%	78.0%
Revenue from new and sustainable products	% of Products	11.7%	13.0%
Apprentices	Total number of apprentices mechanical, electrical, technical and management	35	38
Company cars	Low emission cars as a % of the total fleet	Not available	45%
Net Promoter Score	% of customers likely to recommend Ibstock	39.0%	33.0%
Number of employee deaths	Number of deaths recorded for employees on our sites	0	0
Number of contractor deaths	Number of deaths recorded for contractors on our sites	0	0

Task Force on Climate-related Financial Disclosures (TCFD)

The Taskforce on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board in 2015 and published its final report in June 2017. The report set out eleven recommended disclosures under four pillars to promote better disclosure. The new climate-related disclosure Listing Rule 9.8.6R(8) is a continuing obligation for premium listed companies in annual reports for periods commencing on or after 1 January 2021 and thereafter. Pursuant to this rule the Board of Directors confirm the following:

a) Ibstock has made disclosures that are compliant with the four recommendations and eleven recommended disclosures set out in section C of the TCFD Final Report in their Annual Report.

b) These disclosures can be found in the table below and in the relevant sections of this Annual Report (where stated);

TCFD Recommendation

Governance

Recommended Disclosures

Describe the board's oversight of climate-related risks and opportunities

The Board has ultimate oversight of climate related risks and opportunities although delegates the oversight and monitoring of progress to the newly constituted ESG Committee (see ESG Committee Report on page 89 for further information on it role and responsibilities). Whilst no specific training has been delivered to members of the ESG Committee or the Board during the year, an external consultant has provided assistance in designing some training materials for use at different levels of the organisation. Claire Hawkings, the Chair of the ESG Committee, has significant experience in the energy sector notably executive responsibility for sustainability issues.

The Board receives updates from this Committee following each meeting and input is provided on specific issues to the Audit and Remuneration Committees, including confirmation of the achievement of remuneration linked KPIs or to provide assurance over processes and progress relative to climate related metrics and targets.

Ibstock has continued to improve its governance of climate risk through the further integration of climate related considerations into the discussions and considerations of the Board, the ELT and the senior management of Ibstock. Further information of the Company's risk management processes can be found in the Principal Risks and Audit, Risk and Internal Control sections on pages 52 and 85 respectively.

Priorities for 2022

The Board and ESG committee will be focussing on implementation of the new ESG strategic framework and net zero commitment.

Training on key climate related topics has been added to the Board calendar for 2022.

Recommended Disclosures

Describe management's role in assessing and managing climate-related risks and opportunities

The assessment and management of climate-related risks and issues below Board level is the responsibility of our ELT who are charged with implementing the Group's climate related strategy and reporting progress back up to the ESG Committee and the Board.

The ELT is supported by an operational Sustainability Steering Group which coordinates the work of a number of issue specific working groups, each of which is addressing a specific aspect of the ESG strategy (see Responsible Business section on page 32).

A multidisciplinary project team comprising members of our sustainability team as well as colleagues from Finance and the Company Secretariat was established in 2020 to make sure that Ibstock would be in a position to report against the new Listing Rule requirement and drive progress with TCFD implementation. This group will continue its work during 2022.

Ibstock has in place a number of dedicated teams that are responsible for reducing Ibstock's operational impacts on the climate and the vulnerability of facilities to physical climate risk. Further information can be found in the Responsible Business section, the Principal Risk section and the Viability Statement.

Priorities for 2022

We will look to enhance cross-functional collaboration on climate issues and greater climate risk training across departments within Ibstock during 2022 and continue to strengthen our governance in this area.

A suite of internal climate know-how resources will be developed that will be accessible by all of our colleagues which will operate alongside training sessions on all areas of climate related risk and opportunity.

TCFD Recommendation

Strategy

Recommended Disclosures

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term

Ibstock has identified those physical and transitional climate impacts on its businesses over the short, medium and long term. For the purposes of this assessment short, medium and long term have been defined as <1 year and 1-5 years and more than 5 years. This reflects our assessment of the business's existing asset base and our plans for its maintenance and replacement in alignment with Ibstock's five-year strategic plan. An external consultant was used to provide support and advice as part of this process and a final report on the work undertaken by Ibstock was presented to the ESG Committee in December 2021.

The following specific transitional and physical climate risks have been identified as part of Ibstock's risk management process:

Transitional Risks:

Policy and Legal

- Increased reporting obligations
- New or changing legislation that may impact our existing products
- Increased prices of carbon credits or reductions in the amount of 'free' allowances

Technology

- The ability to transfer to new energy technologies due to a lack of or failed investments
- Customers switching to alternative products

Markets

- Customer perceptions and buying decisions based on limited understanding of a products environmental impacts.
- Transition to new building technologies and approaches redefining the type and nature of materials required

Reputation

- Maintaining credibility and value of the Ibstock brand and its ESG credentials against a backdrop of changing behaviours
- Impact of changing attitudes on the capital base and structure of the business

Physical Risks

Acute

The frequency and severity of flooding and surge precipitation could increase in the medium to long term with storm and hurricane winds increasing significantly. This could result in damage to critical infrastructure and operational facilities.

Chronic

We have identified a number of other physical risks which may develop over time or result in repeated impact including changes in global weather patterns, rising temperatures and sea levels. We do not anticipate any significant deviations from normal climatic conditions over the short term but we anticipate accelerated development of existing trends, such as regular floods and inundations, and a significant increase in average annual temperatures in the medium to long term. This could lead a periodic scarcity of water resources, increased operating costs due to extremely hot and cold temperatures, and disruption of logistics routes.

Efforts to mitigate and adapt to climate change also produce a number of opportunities for Ibstock and, as part of the work undertaken during the year, the following opportunities were identified:

Market

- Increased access to capital, due to improved reputation with investors as a result of a strong change performance

Product & Services

- Increased revenues, due to shift in consumer preferences resulting in access to new and emerging markets and increase in demand for innovative products and services

Energy Use

- Reduced indirect (operating) costs, due to the use of lower emission sources of energy

Resource Efficiency

- Reduced indirect (operating) costs, due to the use of more alternative raw materials, efficient production and distribution

Priorities for 2022

We will revisit and refine the set of perceived risks and opportunities in the short, medium and long-term to provide a more detailed set of data with which to integrate these results into our ongoing financial analysis and modelling processes.

Our strategy implementation will be developed through a combination of strengthening climate risk assessment requirements, considering climate risk in supplier/provider selection, pursuing transition finance opportunities, and evaluating sector exposures to reduce portfolio emissions over time.

TCFD Recommendation

Recommended Disclosures

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Ibstock has considered the impacts of climate related risks using three different climate scenarios all of which are based on the International Energy Agency's (IEAs) World Energy Model (WEM[1]). Those considered included a 1.5°C, <2°C and a >2°C increase in pre-industrial global temperatures. Following this work we considered our resilience to carbon costs, water and adverse weather impacts at a Group and at the factory level. All scenarios considered risks in the short, medium and long-term.

Transitional Risk Impacts

No significant impacts are anticipated with regard to those transitional risks identified in the short term under any of the three scenarios, whilst in the medium-term our expectation is the introduction of trans-boundary regulatory controls and national carbon regulations. In the longer-term, apart from the implementation of international and national carbon regulatory controls, we expect the introduction of more rigorous requirements for implementing best available technologies over a long-term horizon. We also anticipate stricter design standards and requirements, particularly those applicable to the construction of homes.

Acute Physical Risks

There is an expectation of an increase in the frequency of extreme weather events in the short term, whilst in the medium term for both the 1.5°C and <2°C scenarios, the frequency and severity of flooding and surge precipitation could increase. In our >2°C business-as-usual scenario, the frequency of storm and hurricane winds could increase significantly. This could result in damage to critical infrastructure and operational facilities. The frequency of flooding and surge precipitation will further increase significantly in the long-term significantly limiting production processes and affecting supply chains.

Chronic Physical Risks

We do not anticipate any significant deviations from normal climatic conditions over the short term but in the >2°C (business-as-usual) scenario in the medium-term we anticipate accelerated development of existing trends, such as regular floods and inundations and a significant increase in average annual temperatures. This could lead to a lack of water sources, increased operating costs due to extremely hot and cold temperatures and disruption of logistics routes. In the 1.5°C and <2°C scenarios, these trends will be less prominent.

In the longer term the >2°C scenario business-as-usual scenario, we expect that negative climatic trends will continue to scale up. In the 1.5°C and <2°C scenarios, we expect that climatic changes will gradually slow down and the climate will stabilise.

We have announced a new ESG strategy which focuses on three distinct areas with clear ambitions, targets and milestones in order to ensure we meet our objectives. Part of this is our commitment to reduce the level of absolute carbon in the business by 40% by 2030 and to be net zero by 2040. Full details can be found in the Responsible Business section on page 32.

As part of the risk identification process we also included the potential impacts resulting from those events, such as a prolonged weather event as a result of climate change (such as water stress, storms or flooding), local/national restrictions on the ability to work or other unanticipated event, which prevents production at one or more of the Group's facilities and therefore prevents customer demand being met. This will specifically model the consequences of a significant production facility (Eclipse) being unable to produce for a prolonged period and also an outage at factories in the South East for a period of one month as a result of water stress, storms or flooding, which are in the high risk area defined by the Environment Agency. The impact of which would represent around 30% of production.

Priorities for 2022

We will look in more detail at the impacts of climate related risks using its previously identified scenarios with a specific emphasis on the organisation's acute and chronic physical risks.

Recommended Disclosures

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As part of the strategic planning process we have considered the possible transitional and physical risks to Ibstock with regard to the 1.5°C sustainable development scenario. In the time horizon of the strategic plan the impacts represent less than 5% in terms of base case adjusted EBITDA*, and we would expect our selling prices to reflect any increased carbon costs which would further reduce the potential transitional risk impact of this sensitivity.

The consequences of a significant production facility such as Eclipse in Leicester being unable to produce for a prolonged period and also an outage at factories in the South East for a period of one month as a result of water stress, storms or flooding, which are in the high risk area defined by the Environment Agency, would represent around 30% of production.

Priorities for 2022

The outputs from the consideration of risks relative to the three scenarios will be used to input into more detailed modelling of the organisation's longer-term viability and resilience in 2022.

1 The WEM is the principal tool used to generate detailed sector-by-sector and region-by-region projections for the WEO scenarios.

TCFD Recommendation

Risk Management

Recommended Disclosures

Describe the organisations processes for identifying and assessing climate related risk

Climate change has been one of Ibstock's Principal Risks since 2019. This risk has been amended following the full-year risk review process so that it reflects the additional risk related to the embedding of the new ESG strategy (see Principal Risks on page 52).

Climate related risks are identified as part of the existing risk management process through the review and updating of our operational risk registers in order to capture new existing and emerging risks. These registers now separate climate change and ESG issues on both an individual basis and from the perspective of their impact and influence on other Group risks.

Assessment of the impact and probability of climate related risks is undertaken before and after the effect of mitigating controls in order to understand the implications of such risks to the business.

The Group's existing risk management process encapsulates climate risk but the intention is to include a specialist TCFD climate related risk assessment process which provides the strategic framework for identifying material climate related risks and opportunities. This will ensure that climate risk considerations are considered appropriately but that the outputs and considerations are fed into the broader risk management processes of the Group.

Recommended Disclosures

Describe the organisation's processes for managing climate-related risks

Following the completion of the risk management review, each risk is considered relative to its residual rating having taking into account all existing controls. Each risk is assessed in order to establish appropriate actions, to be delivered by the risks owners so that each risk is managed to a level that is consistent with Ibstock's risk appetite. These are then monitored on a regular basis.

Recommended Disclosures

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Climate change risks are considered as part of the review or operational risk registers at the half and full-year with the results being reviewed and mapped to the Group's principal risk register by the ELT prior to their presentation to the Audit Committee and the Board.

Priorities for 2022

Risk management processes will be further developed to provide more detailed and specific consideration of climate risks and opportunities. This will be done as part of Ibstock's ongoing review and development of its risk management framework and process. See principal risks and uncertainties on page 52.

During the year Ibstock received a 'C-' (knowledge of impacts on, and of, climate issues) for its disclosure to the CDP Climate Change programme, which provides detail on how Ibstock identifies and manages climate related risks and opportunities. A key focus for 2022 will be to understand the areas of improvement required to improve the overall rating and also identify opportunities for improvement in our climate related disclosures.

TCFD Recommendation

Metrics and Targets

Recommended Disclosures

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Ibstock uses a suite of metrics to assess climate-related risks and opportunities. These include those key metrics that were originally included on our Sustainability Roadmap (launched in 2018) and that has now evolved into the Company's 2030 ESG Strategic framework. These metrics relate to the three ambitions of the business that comprise the new ESG strategy; namely that Ibstock will Address Climate Change, Manufacture Materials for Life and Improve People's Lives.

A full list of these metrics used can be found in the Responsible Business section from page 45 and in our Sustainability Report that is available on our corporate website (www.ibstockplc.co.uk). Comparatives for prior periods have been provided where possible.

As a business that uses a large amount of energy, Ibstock's performance against a carbon reduction metric is one of four performance conditions used in the 2021 LTIP. From 2022, 20% of LTIP performance will be assessed on a broader ESG metric, including an element based on carbon reduction. Carbon reduction is also a KPI of the business.

Ibstock established a further KPI in 2021 which measures the proportion of revenue generated from new and sustainable products introduced to the market in the last five years.

Priorities for 2022

We will consider the need for any additional metrics, notably those relating to the measurement of the impact of certain physical risks.

Recommended Disclosures

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

We publicly report on our Scope 1 and 2 GHG emissions and the carbon intensity of electricity generated. Part of our new ESG strategy is to undertake a project to assess and report on our Scope 3 emissions. These have been calculated in accordance with the GHG reporting protocol methodology. Comparatives for prior periods have also been included. Disclosure can be found on page 45 of the Responsible Business section.

Recommended Disclosures

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

A full list of our targets to manage climate risk and opportunity can be found in the Responsible Business section on page 34. The introduction of our new ESG strategic framework summarises these under our three ambitions and we have also provided tables setting out both our 2021 performance against the existing roadmap targets and performance against a range of SASB aligned metrics.

An established risk management framework

Risk and risk profile

The Group's activities expose it to a variety of risks that could impact the business. The Board has established a robust risk management and internal control framework that supports the effective identification, assessment and mitigation of risk and has completed a robust assessment of the Company's emerging and principal risks as required by the Code for the year ended 31 December 2021. It has also carried out a review of the effectiveness of these controls. The assessment includes those risks that would threaten Ibstock's business model, its future performance, solvency or liquidity.

To support the discharge of these responsibilities, the Audit Committee reviews the company's internal control and risk management systems including internal financial controls and reports the outcome of this review to the Board. Further information on the role of the Audit Committee and details of the Group's system of internal controls can be found in the Corporate Governance Statement on pages 85 to 86.

Risk management framework

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

Management operate a 'three lines of defence' structure to its internal controls (see diagram below). The first line of defence is operated by management and covers the day-to-day risk management activities – implementing and executing internal controls. The second line (health and safety, quality control and other central functions) works alongside the risk owners to support the design and implementation of the controls framework, whilst the independent third line is operated by our outsourced Internal Audit provider, RSM UK Risk Assurance Services LLP (RSM).

During the year, the Directors reviewed and challenged the Group's assessment of risks as presented by management. This was the final stage in a process that included the review of the divisional and functional registers by senior management prior to the ELT approval of the Group's principal risks and uncertainties for presentation to the Audit Committee and the Board. Ibstock has set an overall low tolerance to risk, which informs its approach.

The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. This ensures that the business identifies both existing and emerging risks and continues to develop appropriate mitigation strategies.

Risk Appetite

The Board is responsible for setting the level of risk that the Directors are willing to accept in order to achieve Ibstock's strategic objectives. Our overall risk tolerance is low and due to our open and collaborative working style, any potential problem or potential risk or issues are identified quickly so that appropriate action can be taken.

COVID-19

The uncertainty around the prospect of the emergence of further strains of COVID-19 and its impact on the economy will continue to remain a concern for the immediate future.

The risks and responses required to address the challenges of ongoing or future major health events continue to be monitored and managed in the business both at central and divisional level.

Key Achievements in 2021

During the year, our Internal Audit function, provided by RSM, assisted the Group Company Secretary in managing the year-end review of risk management processes and principal risks. This forms part of a longer-term commitment to improving Ibstock's risk management approach, management and processes. A brief summary of some of the key achievements during the year along with two priorities for the coming year have been set out below.

Progress in FY 2021	Priorities for FY 2022
Full evaluation and refreshment of the risk profile	Complete Board reappraisal of strategic and principal risks
Enhancements made to existing risk register templates	Embed more formalised and regular risk reporting structures in the business
Completion of a fraud risk assessment	
Consideration of changes to risk reporting structures	

Find out more

Climate change risk

We have an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency around ESG issues. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a reduction in the carbon intensity of our manufacturing processes. Having now substantially achieved our initial sustainability objectives, set back in 2018, we are establishing a further, more stretching set of goals to go farther and faster in achieving our ambition.

At the same time, in order to assess the resilience of our business model, we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. This exercise concluded that, in the time horizon of the strategic plan, these net risks are expected to have a modest impact equal to less than 5% of Group's adjusted EBITDA*.

During the year, external consultants were engaged to assist in the Group's approach to the identification, assessment and quantification of climate-related risks and opportunities under pre-defined climate scenarios. The Group is committed to increasing the transparency of reporting around climate impacts and risks, and we have made great progress in the first year on our journey to achieve full compliance with the recommendations of the TCFD. For the first time, with the publication of our Annual Report, we will also begin reporting where possible against the SASB disclosure criteria.

Changes to Principal Risks

A principal risk is one that is currently impacting on the Group or could impact the Group over the next 12 months. Our principal risks are not an exhaustive list of all risks facing the Group but are a snapshot of the Company's main risk profile as at 31 December 2021. All risks carry equal importance and weighting for the Board, however, additional focus and priority may be given to specific risks for a period of time in certain circumstances.

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

Those principal risks, reported in March 2021 and restated at the Half-Year in August 2021 have been assessed against the revised risks agreed within the divisional risk registers, and used to determine the principal risk disclosures for the year ended 31 December 2021. Having completed this review and considering the conclusions reached at the Half-Year a number of changes to the existing principal risks were proposed and approved by the ELT and the Board. The key amendments include a number of changes to risk titles and the removal of input price as a standalone principal risk. This has now been included in Financial Management Risk. Consistent with the disclosures made at the Half-Year, an additional principal risk (11. Major Project Delivery) has also been included. This risk reflects the Board's view of the importance of the successful delivery of key projects within the business, such as the redevelopment of the Atlas site in the West Midlands and the investment to upgrade and expand capacity at the adjacent Aldridge brick factory. The risk has a medium and long-term impact and the Board has taken steps to enhance existing controls to mitigate the impacts of this risk to an acceptable level. The changes result in the total number of principal risks remaining at 11 and are summarised in the table on page 54.

The full list of what the Board considers to be those current principal risks and uncertainties facing the Group can be found from page 54. This reflects the changes made during the year and that are discussed above and in the table on page 54. Our disclosure for each Principal Risk includes the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year.

The principal risks and uncertainties should be read in conjunction with the Business Review and the Financial Review. Additional risks and uncertainties of which Ibstock is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.

Emerging Risks

Emerging risks have the potential to impact Ibstock's strategy but currently do not have the ability to be fully defined, or are principal risks that have been particularly elevated.

Our emerging risks are identified through horizon-scanning by the ELT and Board in relation to industry and macro-economic trends. This is supported by our divisional operational risk review process.

Examples of emerging risks which were considered during the year included:

Cost inflation and energy pricing

Significant inflation experienced throughout the second half of 2021 across the key cost areas of energy, freight, carbon and materials raised the level of focus on around this risk. Our energy hedging strategy, which requires us to layer in forward cover over a number of years for both natural gas and power, provided a critical level of protection against energy prices which spiked very sharply during the second half of the 2021 year but this remains under review.

Geo-political environment

Whilst Ibstock is a UK business, the recent tragic events in Eastern Europe create broad macro-economic uncertainty which could impact the Group's operations.

Net zero carbon strategy

A failure to implement the approved net zero strategy could impact Ibstock's reputation with many of its stakeholders and make the business less attractive in the longer term.

The digital agenda

A failure to embrace innovative technologies to deliver efficiencies and enhanced ways of working to the Group and its customers.

Changes to Principal Risks

Original Principal Risk	Revised Principal Risk	Change
Climate change	No change	There has been no change in the risk title but the risk description has been expanded to include the need to embed appropriate practices to achieve the Group's ESG ambitions
Operational Disruption	Material Operational Disruption	The title has been changed so that it is clear the risk relates to operational disruption beyond the day-to-day with a focus on material events
Economic Conditions	Market Uncertainty	The title change provides clarity as to what risk the Group is actually facing
Anticipating the Market and New Product Development	Anticipating Product Demand	This risk covers both the need to anticipate demands for existing products, and also anticipate the demands for new innovative products, for instance aligned to the ESG agenda
Government Regulation and Standards Relating to the Manufacture and use of Building Products	Regulatory and Compliance	This risk is about meeting the regulatory and compliance standards throughout the business rather than those more narrowly defined
Customer Relationships and Reputation	Maintaining Customer Relationships and Market Reputation	The risk title has been amended to highlight our customer focus and our strong reputation in the market
Recruitment and Retention of Key Personnel	People and Talent Management	The risk has been refined to focus on our people and the talent that we have. The risk narrative addresses obvious recruitment challenges being faced by all sectors
Cyber Security	Cyber and Information Security	The risk title has been expanded to include information security
N/A	**Major Project Delivery**	**NEW RISK**
Financial Risk Management and Input Prices	Financial Risk Management	Input Prices has been removed as a separate principal risk and included alongside Forex, Credit, Liquidity and Interest Rate Risk

Mapping risk to our strategy

1.	**Climate change**	O S	●	●	
2.	**Material Operational Disruption**	O	●	●	
3.	**Market Uncertainty**	O	●	●	●
4.	**Anticipating Product Demand**	S		●	
5.	**Financial Risk Management**	F	●		●
6.	**Regulatory and Compliance**	O S	●	●	
7.	**Maintaining Customer Relationships and Market Reputation**	O	●	●	
8.	**People and Talent Management**	O	●		
9.	**Product Quality**	O	●	●	●
10.	**Cyber and Information Security**	O	●	●	
11.	**Major Project Delivery (NEW RISK)**	O			●

Key

S Strategic | F Operational | O Financial

Sustain: Sustainable performance | **Innovate**: Market-led innovation | **Growth**: Selective growth

1. Climate Change
Owner: Group Company Secretary

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend Increase **Strategy** Sustain, Innovate **Link to Business Model** Extraction	• Delivery of ESG commitments and targets • An inability to manage energy demand needs against these ESG targets. • Changes in consumer demand may reduce our competitive advantage. • Failure to respond to climate change risks may result in reductions in investor interest and support. • Changes to laws and regulations that could require significant capital investments or result in increased costs and/or material liabilities. • Increasing focus on reporting, data assurance and monitoring of ESG measures, targets and performance from all stakeholders.	• Compliance with International and British standards including include environmental, energy, responsible sourcing and quality. • ESG disclosure (see page 45 onwards) provides visibility and assurance to all stakeholders. • Continued investment to improve the sustainability of our operations and monitoring of internal sustainability KPIs to track progress. • Introduction of a carbon reduction KPI in FY 2020 and its inclusion in our LTIP. A revised ESG measure, incorporating three targets linked to the new ESG strategy will be included for LTIP awards made in 2022. • Investment in the latest systems, plant, machinery and technology to address the need for enabling conditions to address climate change concerns • Investment in longer-term strategic supplier partnerships in order to deliver longer-term sustainable products to our customers. • Proactive management of the sustainability descriptions associated with the Group's products. • Provision of clear and strategic oversight of the Group's ESG strategy by the ESG Committee.	Communities Investors Employees Customers Suppliers Pension Fund Members and Trustees

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

2. Material Operational Disruption
Owner: Chief Operating Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend Increase **Strategy** Sustain, Innovate **Link to Business Model** Extraction, Manufacturing	• Material disruption, caused by extreme weather, power outages or a global pandemic, at one of the Group's manufacturing facilities or quarries, or at one of the Group's suppliers' facilities could prevent Ibstock meeting customer demand. • Dependence on efficient and uninterrupted operation of Group information and communication technology for continued operation. • Failure to deliver capital enhancements on a timely basis could extend planned closures and adversely impact the Group's production capabilities. • Exposure 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. • Targeting Group's businesses by environmental activists due to nature of operations resulting in impacted ability to manufacture or despatch product or receive supplies.	• Transfer of some production across manufacturing network. • Engagement of subcontractors to reduce the impact of certain production disruptions. • Group-wide business continuity plans have been refreshed and improved to take account of those learnings coming from the COVID-19 pandemic. • Alternative third party suppliers have been identified who can maintain service in the event of a disruption. • A major IT incident action plan has been developed and the Group maintains data backups and a comprehensive disaster recovery plan covering Group and individual factory locations. • The Group maintains a capital expenditure development plan, which is focused on integrating the latest technology and replacing end-of-life assets to ensure continued operational capability. This is supported by qualified project management resource to ensure disruption is minimised. • Maintenance of business interruption insurance. • Physical security measures together with real-time monitoring of social media to identify threats of environmental activism.	Communities Investors Employees Customers

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

3. Market Uncertainty
Owner: Chief Executive Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend Increase **Strategy** Sustain, Innovate, Growth	• Material impact on the Group's business as a result of changes in the macro-economic environment in the UK. • Correlation of demand with residential construction and renovation activities and non-residential construction, together with the supply chain's attitude to stock levels, which are cyclical. • Continued risk and uncertainty around the future impact of the COVID-19 pandemic and the introduction of further lockdowns and restrictions could further damage the economy with the resulting impacts on the Group's business. • Negative impacts on economic conditions through geo-political events.	• Analysis of construction data using independent forecasts of construction statistics and forecasts of future demand based on stated customer requirements. • Ability to adjust capacity and 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. • Maintenance of fulfilment and customer service capabilities to support and serve customers. • Active engagement with industry bodies to ensure the promotion of housebuilding and construction, whilst seeking to promote the differentiating qualities of our business in the core markets in which we compete. • Diversification of end-use exposure providing greater resilience in light of changing market demand in any of its end-use markets.	Investors Employees Customers Pension Fund Members and Trustees

4. Anticipating Product Demand
Owner: Chief Executive Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend No change **Strategy** Innovate	• Failure to identify opportunities in the housing market or construction sector and missing chances to maximise or exploit opportunities ahead of our competitors. • Loss of position as perceived market leader with resulting impact on reputation and ability to expand market share. • Loss in market position or customers resulting in declining revenue or margins. • A lack of new product development and failure to optimise our supply chain to support our customers could be detrimental to the long-term achievement of the Group's strategy.	• Consideration of relevant market data and trends highlights emerging risks, providing management with the information required to make considered and fact-based decisions. • Innovation culture embedded through organisational structure, including suitably qualified and experienced product managers. • Launch of Ibstock Futures business unit.	Communities Investors Employees Customers Pension Fund Members and Trustees

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

5. Financial Risk Management

Owner: Chief Financial Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend Increase **Strategy** Sustain, Innovate **Link to Business Model** Procurement	The Group is subject to the following 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. • Input Costs: 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. • Energy pricing: 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. • The impacts of COVID-19 and the adoption of home working, changes to volumes and patterns of transactional activity all served to increase the financial control risks, through a heightened potential for fraud and compromising the integrity of data within the organisation.	• Foreign exchange risk: The Group undertakes limited foreign exchange transactions selling domestically with largely local input costs. Some capital expenditure requires foreign exchange purchases and management considers foreign exchange hedging strategies where significant exposures 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. • Interest rate risk: The Group finances its operations through a mixture of retained profits and bank borrowings and private placement loan notes. 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. • Input cost: 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. Impacts mitigated through prcing increases. • Carbon pricing: The Group operates forward purchasing to mitigate the impact of sudden price increases and monitors the carbon market on an ongoing basis and has modelled the impact of such rises to assess the financial implications (see Viability Statement on page 72). • Sales Pricing: Appropriate pricing policies to remain competitive within our markets and pass on significant increases in input costs.	Investors Employees Suppliers Pension Fund Members and Trustees

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

6. Regulatory and Compliance
Owner: Group Company Secretary

Risk trend

No change

Strategy

Sustain, Growth

Link to Business Model

Extraction

Detail

- Group activities are subject to environmental, health and safety laws and regulations and these may change. These laws and regulations could cause the Group to make modifications to how it manufactures and prices its products.
- Greater regulation with an increased risk of fines and sanctions and liability exposures could impact the Group's financial results, together with any associated negative reputational damage.
- Additional regulation and responsibilities as a result of continuing or new COVID-19 restrictions including health and safety and wellbeing of our workforce may also impact.

Mitigation

- Monitoring of the law across all markets to ensure the effects of changes are minimised and the Group complies with all applicable laws.
- Alignment of Company-wide policies and procedures accordingly with training on mandatory topics and compliance requirements.
- Appropriate health and safety policies combined with the regular monitoring of compliance through internal and external auditing activity.
- Restructuring of the health and safety function to provide more coordinated, central oversight to ensure alignment and consistency throughout the business.
- Investment in resources in employee training across our manufacturing processes.
- Investment in safe systems and facilities to protect our employees. Health and wellbeing practices and safety requirements, including those relating to COVID-19, are embedded in our approach.

Stakeholder Groups impacted

- Communities
- Investors
- Employees
- Customers
- Pension Fund Members and Trustees

7. Maintaining Customer Relationships and Market Reputation
Owner: Chief Operating Officer

Risk trend

No change

Strategy

Sustain, Innovate

Link to Business Model

Sales

Detail

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

Mitigation

- Service-led ethos with many top customer relationships lasting over 40 years.
- Differentiation through the continued quality of its products and service levels with NPS surveys completed to build customer relationships through proactive response to customer requirements.
- Sales and production teams are highly integrated to ensure that production aligns with customers' needs.
- In-depth technical training for sales teams.
- Sales teams assist design support service team as well as targeted marketing materials to assist with specification and selection.
- Divisional sales teams provide focus on key decision-makers and customers.
- Key account management is supervised at a senior level.
- Organisational structure enables us to understand and respond more effectively to the evolving needs of our customers.
- Access to 220 million tonnes of clay reserves, Ibstock Clay's primary raw material, ensures an ability to satisfy customer demand.

Stakeholder Groups impacted

- Communities
- Investors
- Customers

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

8. People and Talent Management

Owner: Human Resources Director

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend: Increase **Strategy**: Sustain, Growth	• Dependency on qualified personnel in key positions and employees having special technical knowledge and skills. Any loss of such personnel without timely replacement could disrupt business operations, damage customer relationships or result in the loss of corporate knowledge. • Difficulties in attracting and retaining staff in production roles, which are labour-intensive and potentially less attractive to the younger population. • Recent experience of COVID-19 and the impact of restructuring and redundancies could negatively affect morale.	• Focused action plans are being put in place as a result of the 'Great place to work' employee engagement survey aimed at further building on employee satisfaction. • Improved methods of employee engagement including My Ibstock and Ibstock Informed. • Investment in people through training and development programmes. • Maintenance of succession plans to ensure a managed transfer of roles and responsibilities. • Operation and management of apprenticeship schemes with a yearly intake across the business (engineering and technical based). • Identification of high potential individuals and development plans formulated. • External recruitment to bridge skill gaps and to enhance the talent pool.	Communities Employees

9. Product Quality

Owner: Chief Operating Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend: No change **Strategy**: Sustain, Innovate, Growth **Link to Business Model**: Product Design	• Exposure to warranty claims and to claims for product liability, construction defects, project delay, property damage, personal injury and other damages. • Failure to maintain accurate product data could place end user at risk. • 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.	• Maintenance and management of detailed product information. • Operation of comprehensive quality control procedures across Ibstock sites with both internal and external audit reviews of product quality completed to ensure conformance with internationally recognised standards. • Training programmes on quality for appropriate employees. • Completion of regular testing of all products to provide full technical data on our product range. • Maintenance of appropriate insurance cover against product liability related claims.	Communities Investors Customers

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

10. Cyber and Information Security
Owner: Chief Financial Officer

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend Increase **Strategy** Sustain, Innovate	• Damage caused by unauthorised access to the Group's IT systems, malware attacks or hacking incidents or reputational damage as a result of negative publicity associated with control lapses in this area. • Changes in employees' working patterns and use of technology as a direct result of COVID-19, along with the resulting risks to information security have materially increased cyber risks. The move to hybrid working arrangements will compound the near term challenges.	• Achievement of the UK Government's Cyber Essentials accreditation, which is subject to independent audit annually. • All IT equipment deployed is image compliant with Ibstock policies and standards. • Use of new industry leading VPN services to handle the new hybrid working arrangements. • Use of new applications such as Microsoft Teams/ OneDrive enable virtual meetings and collaboration. • The disablement of existing vulnerable applications and processes ensure the business can continue to operate effectively and efficiently.	Investors Employees

11. Major Projects Delivery
Owner: Chief Executive Officer/CFO

	Detail	Mitigation	Stakeholder Groups impacted
Risk trend NEW RISK **Strategy** Growth	• Failure to deliver major projects such as Atlas and Nostell. • Reputational damage resulting from a part or complete failure to deliver major projects. • Fines and penalties as a result of delay or regulatory infringements. • Budgetary overspend and impacts on financial position of the Group. • Impacts on Company valuation as a result of a failure to deliver against growth ambitions.	• Introduction of more formalised project governance process and procedures. • Recruitment of expert resource to assist in improving project management capability. • Improved budgeting and planning processes to address potential overspend. • Clear and more robust monitoring and reporting to ensure projects remain on track.	Investors Employees Customers

Risk trend key:	Increase	Decrease	No change		
Strategy key:	Sustain	Innovate	Growth		
Link to Business Model:	Extraction	Procurement	Product Design	Manufacturing	Sales

Business Review

Project name: Brookfield – University of Leicester
Product used: Ivanhoe Cream

Ibstock Clay

Ibstock Clay is the leading clay brick manufacturer in the UK, with an extensive product range, and 16 manufacturing sites across the country, strategically located near to extensive Company-owned clay reserves. The division also manufactures special brick shapes and bespoke products, including arches, chimneys and cladding solutions out of six sites in the UK, through its Ibstock Kevington business. The division is a significant supplier to the new build housing sector, the Repair, Maintenance and Improvement (RMI) market through the builders' merchant channel and specification sector through a number of our direct and indirect distribution channels.

As a business, we continue to benefit from significant levels of clay reserves located strategically across the UK providing our manufacturing sites with longevity of supply. We own 18 active quarries with around 72 million tonnes of proven freehold clay reserves alongside a committed interest in around 4 million tonnes of proven leasehold clay reserves, which, when combined, would serve the current business for over 40 years. In addition, we have access to 145 million tonnes (estimated) of clay resources, subject to the receipt of acceptable planning permissions being granted at a point in the future when further resources are required and we continue to assess strategic opportunities as they arise to further enhance our clay reserve portfolio.

Building on the momentum from the second half of 2020, sales volumes continued to move forward significantly during 2021, with annual volumes recovering to 92% of 2019 supported by robust demand from both our new build housing and RMI market customers. Supply chain conditions became more challenging in the second half of the 2021 year, although the business was able to mitigate these issues with minimal impact on our operational performance.

Industry inventory levels remained at historic low levels throughout 2021 against the backdrop of robust demand across all market segments. Significant cost inflation across the key cost areas of energy, freight, carbon and materials was recovered by a price increase in the final quarter in order to protect margin, albeit with appropriate advanced notice given to customers. The established energy hedging policy covering fuel and power requirements provided a critical level of protection against energy prices which spiked very sharply during the second half of the 2021 year. Productivity and cost were well managed during the year, with the active network running at high levels of utilisation and committed fixed cost savings being captured in full. Planned annual shutdowns of our network progressed as anticipated, and the commissioning of our capital enhancement projects at our Leicester Soft Mud 2 and Laybrook factories both advanced well in the latter stages of the year. Over the next six months we expect to commission the enhancement project at our Ellistown site in Leicestershire. We extended our I-Range in October 2021, an extensive collection of brick types targeted at Architects and Specifiers, to help them choose the right brick type for the style of building they are looking to achieve. The I-Range now includes more than 20 new bricks, representing our largest product launch for several years, making our I-Range an incredibly comprehensive offering, helping us strengthen our position as the number one brick manufacturer in the UK.

Overall, the UK market consumed around 2.4 billion bricks in 2021, which is within 3% of 2019 levels, following the COVID-19 impact in 2020. Imports accounted for around 19% of this total (broadly in line with the equivalent percentage in 2019). Closing domestic inventory levels fell for a second consecutive year, by 7% in 2021 following a 27% fall in 2020.

Cash generation remained a critical focus for the Clay division in 2021. We benefited from two surplus asset disposals from our estates pipeline, generating around £4 million of operational cash inflows in the year. Trade working capital performance was also positive as we continued to benefit from solid, sustainable cash collections from our mature customer base alongside inventory levels which remain broadly flat year-on-year. We continue to invest in our Clay manufacturing assets in order to modernise our production capability, expanding capacity and improving environmental performance, supporting our ambition to be the most sustainable brick manufacturer in the UK. Our broad, differentiated factory footprint provides us with unique optionality to make targeted organic investments to support growth over the medium term, with the Atlas redevelopment project being the latest example. We also focused on selective transformation projects, which are already delivering enhancements to the management of our clay quarries and improving materials management across our factory networks.

Results

Divisional revenue was £280 million in 2021, 31% up year-on -year (2020: £213 million; 2019: £300 million). Adjusted EBITDA* at £91 million in 2021 was materially higher year-on-year (2020: £44 million) and within 15% of the £107 million reported for 2019. Underlying performance was ahead of expectations as the market recovered from the COVID-19 pandemic and the business operated well. Commercial action was executed in the year to protect margins as supply chain pressures intensified. Committed fixed cost savings from restructuring actions taken in 2020 were delivered in full, notwithstanding areas where we reinvested as volume recovery dictated. Overall adjusted EBITDA* margin moved forward during the year to above 32% (2020: 20.6%), back towards 2019 margin levels of 35.5%. Adjusted EBITDA* margins were modestly impacted in the second half by the timing of selling price increases compared to the corresponding cost inflation which these increases mitigated. Divisional statutory profit before tax was £67 million (2020: loss of £12 million; 2019: profit of £79 million).

Project name: Apartments and Social Housing at Droylsden for Vistry Partnerships
Product used: Longley, Hollowcore Flooring

Ibstock Concrete

Ibstock Concrete is one of the largest specialist manufacturers of concrete construction products in the UK occupying strong positions in the new build housing, RMI and infrastructure markets. Ibstock Concrete consists of four well-established and strong brands: Forticrete, Supreme, Anderton and Longley, and is organised into three product groups: Precast Building and Landscaping; Prestressed Flooring; and Rail and Structural products. The acquisition of Longley Concrete, a specialist in precast concrete flooring and other precast products, during 2019, has strengthened our national and regional presence and product offering, and this business is now fully integrated within our organisational structure and systems. Ibstock Concrete operates across 14 manufacturing sites geographically spread across the UK.

While the nature of these markets differs from those of our larger Clay business, the products remain within our core business and strategic focus area of the residential building envelope. The business benefits from the same fundamental growth drivers and produces similar returns on capital as the Clay division through the cycle. During 2021, the Concrete division continued to benefit from strong structural demand within RMI end markets as consumers spent a greater proportion of disposable income on their homes.

The division saw robust market conditions in all key categories during 2021 as the recovery post the COVID-19 pandemic continued. The Concrete division delivered strong sales growth of 18% versus 2019 and 6% on a like-for-like basis*, recognising the partial benefit from the Longley acquisition in 2019. This performance was achieved against a challenging backdrop of supply chain, labour availability and cost pressures, which the business managed dynamically. Whilst the industry continues to face these challenges, we are well positioned to maintain our momentum in the year ahead. New product development continues to be an important driver of growth and a number of new products will launch in 2022, including those focused on reducing the embodied carbon within our concrete product range.

During 2021, the business rationalised its footprint with the closure of a small manufacturing site in order to decrease the fixed cost base and optimise our operational network. Levels of capacity and capability were enhanced by several small capital investments at our key operating locations.

Whilst the business continued to closely manage cash flow, we continued to invest selectively in enhancing our capital base. This included adding capacity and capability to our Flooring and Precast product areas and we also made significant investments in digital and IT transformation projects to facilitate more efficient trading relationships with customers.

Results

Concrete division revenue was £128 million in 2021, representing a 25% increase on 2020, £103 million), and was 18% higher than 2019 (£109 million), with Longley Concrete contributing from August 2019. Like-for-like* growth in 2021 versus 2019 was up 6%. Activity levels remained resilient across all product categories, with supplies of roofing, walling and flooring products showing strong growth year-on-year.

In our smaller infrastructure business, a new spend cycle in the rail industry resulted in strong levels of demand for our products and we secured significant contracts in 2021, resulting in a healthy order book as we enter 2022. Investment in new products, focused on both sustainable solutions and increased capacity are expected to underpin further growth in 2022.

Adjusted EBITDA* of £22 million in 2021 was 44% higher than 2020 (2020: £15 million) reflecting improved activity levels in all categories. 2019 adjusted EBITDA* was £22 million.

Adjusted EBITDA* margins of 17% were materially ahead of the level achieved in 2020, reflecting volume benefits and a dynamic commercial approach which enabled the division to recover material levels of input cost inflation, particularly during the second half of the year.

The adjusted EBITDA* margin in 2021 was below the level of 20.2% achieved in 2019, due both to a change in business mix (with Longley introducing a greater proportion of lower-margin purchased product sales); and the impacts of supply chain challenges, which reduced levels of operational efficiency during the second half of the 2021 year.

Divisional statutory profit before tax was £11 million (2020: £1 million; 2019: £11 million) as a result of more favourable trading conditions in 2021, following the worst impacts of the COVID-19 pandemic in 2020.

Financial Review

"The Group delivered an excellent cash flow performance in 2021, significantly strengthening our balance sheet."

Chris McLeish
Chief Financial Officer

Introduction

The Group delivered a strong trading performance in 2021, reflecting both robust market demand and resilient operational performance. The dynamic commercial approach taken in both the Clay and Concrete divisions was successful in addressing significant cost inflation during the second half of the year. Supply chain impacts, particularly relating to the availability of freight and labour, were well managed, enabling adjusted EBITDA* margins to increase materially to around 25.2%, compared to 16.5% in the comparative period (2019: 29.9%).

The Group maintained its intense focus on cost and capital management, delivering an excellent cash flow performance for the year. This was instrumental in strengthening further the Group's balance sheet, with closing net debt* of £38.9 million at 31 December 2021 resulting in leverage* of 0.4 times (2020: 1.5 times; 2019: 0.7 times).

During the final quarter of the year, the Group completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), replacing the existing facility with the issuance of £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four year period, with a one year extension option, thereby diversifying its credit sources at attractive rates whilst significantly extending the Group's debt maturity profile.

Climate Change & TCFD

We have an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency around Environmental, Social and Governance (ESG) issues. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a reduction in the carbon intensity of our manufacturing processes. Having now substantially achieved our initial sustainability objectives, set back in 2018, we are establishing a further, more stretching set of goals to go farther and faster in achieving our ambition.

At the same time, in order to assess the resilience of our business model, as part of our strategic planning process we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. This exercise concluded that, in the time horizon of the strategic plan, these net risks are expected to have a modest impact equal to less than 5% of Group's adjusted EBITDA*.

The Group is committed to increasing the transparency of reporting around climate impacts and risks, and we have made great progress in the first year on our journey to achieve full compliance with the recommendations of the TCFD. For the first time, with the publication of our Annual Report, we will also begin reporting against the SASB disclosure criteria.

Alternative performance measures

These results contain alternative performance measures (APMs) to aid comparability and further understanding of the financial performance of the Group between periods. A description of each APM is included in Note 3 to the financial statements. The APMs represent measures used by management and the Board to monitor performance against budget, and certain APMs are used in the remuneration of management and Executive Directors. It is not believed that APMs are a substitute for, or superior to, statutory measures.

In order to provide a more relevant performance commentary, comparison in this statement has been made to the corresponding 12 month periods in both 2020 and 2019, the latter considered to represent a more meaningful pre-COVID baseline for performance comparisons.

Group results[1]

The table below sets out segmental sales and adjusted EBITDA* for the year

Year ended 31 December 2021	Clay £m	Concrete £m	Central costs £m	Total £m
Total revenue	280.2	128.4	–	408.7
Adjusted EBITDA*	90.6	21.7	(9.3)	103.1
Margin	32.3%	16.9%		25.2%
Year ended 31 December 2020				
Total revenue	213.2	103.0	–	316.2
Adjusted EBITDA*	44.0	15.1	(6.9)	52.1
Margin	20.6%	14.6%		16.5%
Year ended 31 December 2019				
Total revenue	300.5	108.8	–	409.3
Adjusted EBITDA*	106.7	21.9	(6.4)	122.3
Margin	35.5%	20.2%		29.9%

1 Due to rounding, numbers presented may not add up precisely to the totals and percentages may not precisely reflect the absolute figures.

Revenue

Group revenue for the year ended 31 December 2021 totalled £408.7 million (2020: £316.2 million; 2019: £409.3 million).

The increase of 29% from 2020 reflected the steady and sustained recovery in both new build housing and Repairs Maintenance and Improvement (RMI) markets from the very low levels experienced in the second quarter of 2020, which were impacted by customers curtailing their operations in the face of the initial impacts of the pandemic. 2021 reported revenues were back to 2019 levels, with higher concrete revenues offsetting slightly lower clay revenues.

In our Clay division, revenues of £280.2 million represented an increase of 31% on 2020 revenues of £213.2 million and were back to within 7% of 2019 revenues, reflecting the continued recovery of market conditions back towards pre-COVID levels. Sales volumes for the year were slightly ahead of expectations set at the start of 2021, and performance in 2021 against comparative years benefited from a modest increase in price. The business implemented a significant selling price increase towards the end of the 2021 year.

In our Concrete division, revenue increased by 25% compared to 2020, with significant volume increases in all product categories, reflecting the steady and sustained recovery in residential and infrastructure markets. The division employed a dynamic pricing approach throughout the 2021 year to address the impact of significant cost inflation. The current year period included revenues of around £22.3 million from the Longley Concrete business (2020: £17.0 million; 2019: £8.3 million) which was acquired during the second half of 2019. On a reported basis, concrete revenues were 18% above 2019 and, on a like-for-like basis*, revenues were 6% higher. This underlying improvement versus 2019 was driven principally by selling price increases, with like-for-like sales volumes broadly in line.

The business has instituted further selling price increases in the 2022 year in both divisions which are expected to mitigate the effect of visible cost inflation. We continue to monitor cost impacts closely and remain committed to taking the actions necessary to protect and maintain margins moving forwards.

Adjusted EBITDA*

Management measures the Group's operating performance using adjusted EBITDA*. Adjusted EBITDA* increased materially year on year to £103.1 million in 2021 (2020: £52.1 million; 2019: £122.3 million). Performance in 2021 compared to 2020 benefited from increased sales volumes in both divisions, dynamic commercial pricing to offset cost inflation, and resilient operational performance in the face of sector-wide supply chain challenges.

Within the Clay division, adjusted EBITDA* totalled £90.6 million (2020: £44.0 million; 2019: 106.7 million), representing an EBITDA* margin of 32.3% (2020: 20.6%; 2019: 35.5%). The adjusted EBITDA* increase over 2020 reflected the significant volume increase and the associated benefit of operational gearing, coupled with disciplined cost management. Performance in 2021 benefited from a small property gain which largely offset the divisional impact of voluntarily repaying to the Government around £2 million of furlough monies initially received in 2020.

Adjusted EBITDA* in our Concrete division increased to £21.7 million (2020: £15.1 million; 2019: £21.9 million), as the division continued to benefit from its exposure to a broad range of residential and infrastructure markets. Adjusted EBITDA* margins of 16.9% were materially ahead of 2020 margins, but below 2019 margins of 20.2% on a reported basis, reflecting the acquisition of Longley in H2 2019, which includes a higher proportion of purchased products within its revenue mix. On a like-for-like basis* (i.e. excluding the impact of Longley), EBITDA margins* of 19.3% were marginally lower than 2019 levels of 21.1%, with supply chain issues having a modest impact on operational efficiency during the second half of the 2021 year.

Central costs increased to £9.3 million (2020: £6.9 million; 2019: £6.4 million). The increase from the prior year principally reflected higher variable remuneration costs.

Exceptional items*

Based on the application of our accounting policy for exceptional items*, certain income and expense items have been excluded in arriving at adjusted EBITDA* to aid shareholders' understanding of the Group's underlying financial performance.

The amounts classified as exceptional* in the period totalled a net gain of £5.2 million (2020: charge of £35.7 million; 2019 charge of £3.2 million), comprising:

1. Exceptional net cash cost of £0.6 million which was substantially cash settled in the period:
   a) £2.0 million of exceptional cash profits arising from disposals of land during the 2021 year;
   b) £2.3 million of costs associated with the Group's closure of sites;
   c) £0.3 million of other one-off operating costs;
2. An exceptional non-cash credit of £5.8 million arising from the reversal of the previously recognised impairment of our Atlas and Nostell sites which, as announced during the 2021 year, are now being re-developed.

Further details of exceptional items* are set out in Note 5 of the financial statements.

Finance costs

Net finance costs of £5.0 million were marginally above the level of £4.3 million in the prior year. The Group incurred costs of around £2 million related to the refinancing of its borrowings during the second half of the 2021 year.

Profit before taxation

Group statutory profit before taxation was £64.9 million (2020: loss of £23.9 million; 2019: £82.0 million), reflecting stronger trading and substantially lower exceptional costs, with the current year result including an exceptional credit* of £5.2 million (2020: charge of £35.7 million; 2019 charge of £3.2 million).

Taxation

The Group recorded a taxation charge of £33.1 million (2020: £4.1 million) on Group pre-tax profits of £64.9 million (2020: loss of £23.9 million), resulting in an effective tax rate (ETR) of 51.0% (2020: -17.1%) compared with the standard rate of UK corporation tax of 19%. The 2021 statutory tax charge and ETR reflect the restatement of the Group's net deferred tax liabilities following the change announced in the 2021 Budget that will see the standard rate of UK corporation tax increase from 19% to 25% from 1 April 2023.

The adjusted ETR* (excluding the impact of the deferred tax rate change) for the full year was 18.1% (2020: 19.7%). The reduction in adjusted tax rate from the prior year was due primarily to the permanent 30% benefit of the tax super deduction (also announced in the 2021 budget), which provides relief at the current UK headline rate for qualifying capital expenditure.

Earnings per share

Group statutory basic earnings per share* (EPS) increased to 7.8 pence in the year to 31 December 2021 (2020: loss of 6.8 pence) principally as a result of the Group's increased profit after taxation, reflecting stronger trading and substantially lower exceptional costs.

Group adjusted basic EPS* of 13.9 pence per share increased significantly from the 4.0 pence reported last year, reflecting the increased adjusted EBITDA* achieved in the year and a modest reduction in the effective tax rate. In line with prior years, our adjusted EPS* metric removes the impact of exceptional items*, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts, net of the related taxation charges/credits. Adjusted EPS* has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS* measure is included in Note 7.

Table 1: Earnings per share

	2021 pence	2020 pence
Statutory basic EPS – Continuing operations	7.8	(6.8)
Adjusted basic EPS* – Continuing operations	13.9	4.0

Cash flow and net debt*

Adjusted free cash flow* increased by £24.9 million in the year to £51.0 million (2020: £26.1 million; 2019: £33.2 million). The increase in adjusted EBITDA* compared to 2020 was partly offset by a more modest working capital improvement. The adjusted working capital* improvement in 2021 was achieved in spite of increased trading volumes compared to the prior year, with the cash conversion cycle continuing to benefit from the Group's strong focus on working capital management.

Tax payments in 2021 totalled £10.0 million (2020: £6.5 million; 2019: £13.3 million), as taxable profits increased year-on-year. Other cash outflows of £15.1 million (2020: £6.8 million; 2019: £7.9 million) included amounts totalling £6 million in respect of carbon emission credits purchased during the year (2020: £nil; 2019: £nil).

Whilst Adjusted Operating Cash Flows* in 2021 increased materially from prior years, the Cash conversion* percentage reduced to 74% (from 96% in 2020; 2019: 59%), reflecting the very substantial reduction in working capital achieved in the comparative period as clay finished goods inventories reduced sharply during the 2020 year.

Table 2: Cash flow (non-statutory)

	2021 £'m	2020 £'m	2019 £'m	Change 1Y £'m	Change 2Y £'m
Adjusted EBITDA*	103.1	52.1	122.3	51.0	(19.2)
Adjusted change in working capital*	5.4	17.3	(24.3)	(11.9)	29.7
Net interest	(5.6)	(3.8)	(2.6)	(1.8)	(3.0)
Tax	(10.0)	(6.5)	(13.3)	(3.5)	3.3
Post-employment benefits	(1.8)	(2.2)	(2.2)	0.4	0.4
Other[1]	(15.1)	(6.8)	(7.9)	(8.3)	(7.2)
Adjusted operating cash flow*	76.0	50.2	72.0	25.8	4.0
Cash conversion*	74%	96%	59%	(22ppts)	+15ppts
Total capex	(25.0)	(24.1)	(38.8)	(0.9)	13.8
Adjusted free cash flow*	51.0	26.1	33.2	24.9	17.8

1 Other includes operating lease payments in all years and emission allowances purchases in 2021.

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

The net favourable change in working capital* of £5.4 million during 2021 (2020: favourable change of £17.3 million; 2019: adverse change of £24.3 million) reflected a modest increase in inventories, predominantly within the concrete division, more than offset by an overall increase in creditors.

Capital expenditure of £25 million (2020: £24 million; 2019: £39 million) comprised sustaining spend of around £20 million and initial spend on the Atlas/Aldridge redevelopment project of some £5 million. In the 2022 year, sustaining expenditure is expected to remain at around £20 million, with growth investments in Atlas, Aldridge and Nostell totalling around £50 million.

During 2021, the Group completed two small land sales, generating cash inflows of £4 million (2020: £4 million). We continue to focus on recycling capital from the Group's surplus property portfolio, and anticipate further land disposals during the 2022 year. We expect to generate around £25 million from property disposals over the medium term.

Net debt* (borrowings less cash) of £38.9 million at 31 December 2021 compared to £69.2 million at the prior year end and £53.5 million at 30 June 2021, reflects the continued benefit of strong operating cash flows throughout the 2021 year.

Following the refinancing of our debt facilities in the final quarter of 2021, the Group now has a £125 million RCF with a group of five banks with an initial four year tenor (and a one year extension option), and £100 million of private placement notes with maturities of between seven and twelve years at a total fixed coupon of just over 2%. This refinancing has successfully diversified the Group's credit sources at attractive rates, whilst simultaneously achieving a significant extension of our debt maturity profile.

Return on capital employed*

Return on capital employed* (ROCE) in 2021 recovered to around 16% (2020: 3.7%; 2019: 19.3%). The substantial improvement compared to the prior year reflected both a significant increase in profitability, as well as a modest reduction in the capital base, as both working and fixed capital were well managed.

Capital allocation

The Group's capital allocation framework remains consistent with that laid out in 2020, with the Group remaining committed to allocating capital in a disciplined way.

Our capital allocation framework is set out below:

- Firstly, we will invest to maintain and enhance our existing asset base and operations;
- Having done this, we will look to pay an ordinary dividend, setting targeted cover of at least 2 times underlying earnings;
- Thereafter, we will deploy capital for growth, both inorganically and organically, in accordance with our strategic and financial investment criteria;
- And, finally, we will return surplus capital to shareholders.

Our framework remains underpinned by our commitment to maintaining a strong balance sheet, and we will look to maintain leverage at between 0.5 and 1.5 times net debt* to adjusted EBITDA* excluding the impact of IFRS 16, through the cycle.

We expect to deploy significant growth capital in the business during the 2022 year and beyond, with a growing pipeline of both organic and inorganic opportunities. The Board expects there to be capital generated in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review during the 2022 year.

Dividend

In light of the Group's financial strength and prospects, a final dividend of 5.0 pence per ordinary share (2020: 1.6 pence) is being recommended for payment on 13 May 2022 to shareholders on the register on 19 April 2022. This is in addition to our interim dividend paid in September 2021 of 2.5 pence per ordinary share (2020: nil pence). This full year dividend of 7.5pps represents an increase of 5.9p (2020: 1.6p).

Pensions

At 31 December 2021, the defined benefit pension scheme (the scheme) was in an actuarial accounting surplus position of £57.8 million (31 December 2020: surplus of £43.6 million). At the year end, the scheme had asset levels of £618.0 million (31 December 2020: £639.2 million) against scheme liabilities of £560.3 million (31 December 2019: £595.6 million).

The net increase in the balance sheet surplus over the period primarily reflects lower scheme liabilities arising from changes in market conditions, as detailed in Note 21).

A contribution level of £1.75 million per annum continues to apply from February 2022, increasing to £2.0 million from 1 December 2023 and then £2.25 million from 1 December 2024, until a subsequent valuation and any revised contribution level is agreed.

The Group continues its work with the scheme Trustees to explore steps to further de-risk the pension scheme, and to pursue its investment strategy of matching asset categories with the associated liabilities.

Related party transactions

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

Subsequent events

On 21 January 2022, the Group acquired certain assets of Telling Architectural Limited. See Note 32 for further information.

Except for this acquisition and the proposed ordinary dividend, there have been no events since the balance sheet date requiring disclosure or adjustment to these financial statements.

Going concern

The Directors are required to assess whether it is reasonable to adopt the going concern basis in preparing the financial statements.

In arriving at their conclusion, the Directors have given due consideration to whether the funding and liquidity resources are sufficient to accommodate the principal risks and uncertainties faced by the Group.

Having considered the outputs from this work, the Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group will have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts.

Further information is provided in Note 1 of the financial statements.

NON-FINANCIAL INFORMATION STATEMENT

This section of the Strategic Report constitutes the Non-Financial Information Statement in compliance with Sections 414CA and 414CB of the Companies Act 2006. The information listed in the table below is incorporated by cross reference to the relevant parts of the Annual Report.

Requirement	Policies	Additional information
Environmental matters	• Sustainability Report • Sustainable Procurement Policy	Responsible Business – pages 30 to 51
Employees	• Health and Safety Policy Statement • Diversity and Inclusion Policy • Anti-bullying and Harassment Policy • Code of Business Conduct • Whistleblowing Policy	Responsible Business – pages 30 to 51
Human rights	• Modern Slavery Statement • Data Protection Policy	Responsible Business -pages 30 to 51
Social matters	• Sustainability Steering Group • ESG Strategy and Framework	Responsible Business – pages 30 to 51
Anti-corruption and bribery	• Anti-bribery and Corruption Policy • Competition Law Compliance Policy • Supplier Sustainability Code of Business Conduct	Responsible Business – pages 30 to 51 Corporate Governance Statement– page 80
Description of the Business model		Our purpose and business model – pages 16 to 17
Principal risks and impact of business activity		Our Principal risks and uncertainties – pages 52 to 61 Corporate Governance Statement – page 80 Audit Committee Report – pages 92 to 96
Non-financial key performance indicators		Strategic Report – pages 1 to 73 Our KPIs – pages 28 to 29

The policies mentioned above provide the link between our purpose and values and how Ibstock is managed and does business. A review of all Group policies was concluded during 2021. These will form the basis of a relaunch of the Group's compliance programme during the first half of 2022.

Section 172(1) Statement

The purpose of this Strategic Report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (s.172). This s.172 Statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

The Board of Directors confirm that during the year under review, it has acted in good faith to promote the long-term success of the Company for the benefit of its members as a whole, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Company maintains good relationships with its suppliers (see page 42) and is reviewing all payment terms as part of its preparations for the outcomes from the Business, Energy & Industrial strategy (BEIS) consultation.

Examples of matters discussed in the year by the Board and their impact on, amongst others, employees, customers and shareholders are included in the table below and discussed throughout the Strategic Report and in the Governance Statement on page 83. The table also identifies where, in the Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of s.172 can be found.

It is acknowledged that it is not possible for all of the Board's decisions to result in a positive outcome for every stakeholder group. When making decisions, the Board considers the Company's purpose, vision and values, together with its strategic priorities and takes account of its role as a responsible business. By doing this, the aim is to ensure that decisions are robust and sustainable. Further information about how we engage with our stakeholders and their needs can be found on pages 40 to 42.

S.172(1) factor	Where to find out more
(a) the likely consequences of any decisions in the long term; **Example:** as part of the Board's review of the Group's strategy during the year, it considered alternative sources of growth that could create additional value in the longer term. This manifested itself in the Board's decision to launch the new Ibstock Futures business.	**Strategic Report** Chairman's statement – Page 6 Chief Executive Officers' review – Page 8 Our markets – Page 14 Our purpose and business model – Page 16 Our Strategy – Page 18 Our KPIs – Page 28 Our Principal risk and uncertainties – Page 52 **Governance** Board leadership and company purpose – Page 80
(b) the interests of the Company's employees; **Example:** The Board is fully aware of the role played by all employees in the business and considers their interests in its decisions. The safety and wellbeing of our employees remained of utmost priority as the UK endured further lockdowns and their interests were considered when considering working practices and the launch of a new Sharesave plan.	**Strategic Report** Our purpose and business model – Page 16 Our Strategy – Page 18 Responsible Business – Page 30 **Governance** Board leadership and company purpose – Page 80 ESG Committee Report – Page 89
(c) the need to foster the Company's business relationships with suppliers, customers and others; **Example:** Managing these relationships is critical to Ibstock's success and its delivery of both its corporate and new ESG strategy. Reaching mutually agreeable and pragmatic solutions to supply chain challenges and increasing input costs has been a key aspect of the Board's decisions when having regard to this factor.	**Strategic Report** Our markets – Page 14 Our purpose and business model – Page 16 Our Strategy – Page 18 Responsible Business – Page 30 **Governance** Board leadership and company purpose – Page 80
(d) the impact of the Company's operations on the community and environment; **Example:** Ibstock has an ambition to be sector leading in its approach to ESG issues and launched a new ESG strategy to maintain this position through to 2030. The Board approved a new Health and Safety Policy Statement and a commitment to be a net zero business by 2040.	**Strategic Report** Responsible Business – Page 30 ESG Committee Report – Page 89
(e) the desirability of the Company maintaining a reputation for high standards of business conduct; **Example:** A review of the Group's governance and compliance framework was completed during the year and its recommendations and findings will be implemented in the first half of 2022.	**Strategic Report** Responsible Business – Page 30 **Governance** Chairman's Introduction to Governance – Page 76
(f) the need to act fairly between shareholders and the Company. **Example:** the Board seeks to ensure that communications are clear and its actions are in accordance with the Group's stated strategic aims to promote the long-term success of the Company. We engage with many of our shareholders on a regular basis and the increased use of virtual meetings as a result of the pandemic has only increased the number of meetings that can be held.	**Strategic Report** Chairman's statement – Page 6 Responsible Business – Page 30 **Governance** Board leadership and company purpose – Page 80 Directors' Report – Page 122

Viability and Going Concern

Background

The Board's assessment of the longer-term viability of the Group is an intrinsic part of our business planning processes. These processes include financial forecasting and risk management, as well as longer-term scenario planning incorporating market trends, emerging opportunities or threats and potential future economic conditions. The output of the Group's business planning processes reflects the best estimate of the future prospects of the business based on a range of possible future scenarios. To make an assessment of viability, these projections are rigorously tested based upon potential adverse impacts arising from the Group's principal risks and uncertainties which are outlined on pages 52 to 61.

Assessment

Management's viability exercise, reviewed by the Audit Committee on behalf of the Board, has robustly assessed the market conditions, risks and the liquidity and solvency of the Group. These elements were also carefully considered in light of COVID-19. The Group has leading positions within the markets in which it operates, as noted on pages 14 to 15, and its business strategy (see page 18) is aimed at continuing to strengthen its position in those markets, create value for its shareholders and ensure its operations and finances are sustainable.

Lookout period

The Group may use longer-term time horizons for the purposes of capital investment and capital allocation given its markets and construction timeframes. However, the Directors believe that a three-year period provides the most appropriate horizon over which to assess viability. The performance of the building products industry is sensitive to the level of macro-economic activity, which is influenced by factors outside of the Group's control, including demographic trends, the state of the housing market, mortgage availability, interest rates and changes in household income, inflation and Government policy.

Stress testing

Although each of the Group's principal risks has a potential effect and has been considered as part of the assessment, only those that result in a severe but plausible scenario have been modelled. The Group's viability modelling has stress tested the budget and strategic plan in the following scenarios both individually and in combination. This included the Group experiencing reputational damage during a period of economic downturn. The Group's viability modelling also included reverse stress testing to understand financial headroom that exists before viability is threatened, by reducing profitability through reducing in sales.

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 1

Economic downturn

Link to risk – market uncertainty, anticipating product demand

The impact of a severe and prolonged reduction in demand for its products on the basis of reduced house building activity; unexpected changes to Government policy resulting in reduced volume of product sold or future impacts on customer activities as a result of COVID-19 or other pandemic, as well as a benign environment of prolonged price stagnation on sales. This considered a Clay division sales reduction of 30% in 2022 versus pre-COVID levels in 2019, which is broadly in line with that evidenced in the Clay division during 2020 and 5% thereafter, representing a recovery after the first year. Given the current under supply of housing stock, the Directors believe any reduction in underlying demand above these levels would lead to Government stimulus to underpin levels of new build housing. The Group has proven mitigating strategies including the mothballing or closure of production facilities, together with negotiation of workforce Voluntary Alternative Arrangements, which could reduce operating costs whilst minimising redundancies, allowing the retention of our highly skilled workers through such a potential economic downturn.

Scenario 2

Production cost increases

Link to risk – financial risk management, regulatory and compliance, climate change

A situation whereby the cost of production increases by 20% and 50% specifically for carbon and energy costs as a result of input cost rises across the Group or additional regulatory costs imposing additional expenditure within the production process e.g. climate change related carbon increases or tariffs, which the Group is unable to pass on to its customers.

This is based on historical cost inflation and price volatility seen in wholesale energy markets. The Group operates a policy of forward purchasing its energy requirements, which is successful in locking in the costs of production to inform price negotiations with its customers. Further, production plans could be flexed to reduce the available product range – either to focus upon more energy efficient products or to reduce changeovers at factories, which would provide mitigating production efficiencies.

Scenario 3
Disruption in business activities

Link to risk – material operational disruption, cyber and information security, climate change

The impact of an event, such as a prolonged weather event as a result of climate change (such as water stress, storms or flooding), a cyber-attack, local/national restrictions on the ability to work or other unanticipated event, which prevents production at one or more of the Group's facilities and therefore prevents customer demand being met. This will specifically model the consequences of a significant production facility (Eclipse) being unable to produce for a prolonged period and also an outage at factories in the South East for a period of one month as a result of water stress, storms or flooding, which are in the high risk area defined by the Environment Agency. The impact of which would represent around 30% of production.

The Group aims to mitigate the risk associated with disruption through its business continuity plans, which operate at a factory level, and its ability to transfer some of its production across its network of facilities.

Scenario 4
Reputational damage

Link to risk – maintaining customer relationships and market reputation, people and talent management, product quality

A scenario whereby the Group's reputation is damaged, as a result of customer relationship breakdown, significant employee disengagement or product quality issues, resulting in a sudden reduction in sales activity. The scenario modelled includes a reduction in revenue of 10% for a period of three years, representing potential impact or price reduction to maintain customers. The Group seeks to mitigate the risks of reputational damage on an ongoing basis with its internal control framework and series of independent reviews and audit.

The Group's viability assessment also considered a compound scenario whereby the Group experienced reputational damage during an economic downturn.

The scenarios also consider the covenants with respect to the Group's borrowings, ensuring these thresholds are met.

The scenarios are hypothetical and severe for the purpose of creating situations that have the ability to threaten the Group's viability.

The results of the stress testing demonstrate that due to the Group's cash generative nature and access to its RCF, it would be able to withstand the impacts of these scenarios and remain cash generative.

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

Viability Statement
Based on their assessment of prospects and viability above, the Directors confirm that 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 3-year period ending March 2025.

Going Concern
The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in Note 1 to the financial statements

Strategic Report
The Strategic Report on pages 1 to 73 has been approved and signed by order of Board by:

Nick Giles
Group Company Secretary

8 March 2021

Governance

Jonathan Nicholls
Chairman

Dear Shareholders,

I am pleased to introduce the Governance section of this year's Annual Report which has been structured to provide a clear and transparent overview of the Board's oversight of Ibstock's governance framework. We continue to work to improve our disclosures this year and we welcome feedback and suggestions from all of our stakeholders. If you would like to do so please get in touch with our Company Secretary, Nick Giles, at our Registered Office.

This section includes the Corporate Governance Statement, the reports of the main Board Committees, including the Directors' Remuneration Report and a number of other disclosures that we are required to make by law. Taken together and including cross references to relevant parts of the Strategic Report, they contain all of the information that is required to demonstrate how we have applied the principles and complied with the provisions of the UK Corporate Governance Code (the Code).

Review of the year

Our purpose is to build a better world by being at the heart of building and we have been helping to shape the homes, places and spaces of Britain since we began over 200 years ago. Ibstock is a leading manufacturer and supplier of clay and concrete building products and solutions to the UK construction industry, with a core business focused on the residential construction sector.

All of the Directors take pride in the discharge of our Board duties and responsibilities in a transparent, open and honest manner, and 2021 has been another year of challenge to our accepted and established way of doing things as it has been to many other businesses. The events of the last two years have shown us that the ability to adapt and be flexible, when facing unprecedented challenge, are skills that continue to be extremely important.

The Board is answerable to shareholders for the successful delivery of the Group's strategy and financial performance; for the efficient use of resources having regard to social, environmental and ethical matters; and for taking account of the interests of all our other stakeholders. Our Key Performance Indicators (KPIs) on page 28 set out our priorities. We approve the Group's governance framework, taking into account contributions from Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. On a regular basis we review our level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and ESG matters. This process will continue to adapt to meet the evolving needs of Ibstock. Our aim is to ensure that good governance extends beyond the Boardroom and is continually borne in mind as part of the successful delivery of the Group's strategic pillars over both the short and long term.

Governance and Compliance Review

As referenced in my report of last year, a review of the Group's governance and compliance processes was completed during 2021. This was considered timely and appropriate following the experience during the pandemic as well as a number of changes in personnel and organisation structure. The review reached positive conclusions and produced a list of practical recommendations which are in the process of being addressed.

Diversity and Board changes

We continue to work with all layers of management to develop the Group's diversity and inclusion strategy as well as its practical application and will prioritise progress in this area in the year ahead. During the year, the Board has had a number of conversations on this topic and Board succession planning more generally, the results of which meant that we commenced a search in the third quarter of the year to find an additional Non-Executive Director to join the Board. As a result we were delighted that Peju Adebajo agreed to join the Board in November last year and I know I speak for my Board colleagues when I say we are looking forward to working with Peju over the months ahead. Further information regarding Peju's appointment can be found in the Nomination Committee Report on page 88.

ESG

At the beginning of 2021 we established a new Board Committee to provide specific and focused support to better coordinate our ambitions to address our impacts on the environment and the communities in which we live and work. The Committee has worked hard to tackle a lengthy agenda during its first year. My thanks to Claire Hawkings, who has chaired this Committee, drawing on a wealth of experience in this area from a long career in the energy industry. One of the key outputs from the Committee's work during the year has been the launch of a new ESG strategy and a commitment to make Ibstock a net zero business by 2040.

Further information on this can be found in the Responsible Business section and ESG Committee Report on pages 30 and 89 respectively.

We introduced a new Carbon Reduction KPI (see page 29) in 2021 which was included as a fourth measure under the Group's LTIP. The Group's progress against this target has been quicker than anticipated and the Remuneration Committee, following advice from the ESG Committee has decided to introduce a new performance condition for 2022 LTIP awards that will encompass three separate elements that are linked to the new ESG strategy. Further information on this can be found in the ESG Committee Report and the Directors' Remuneration Report on pages 89 and 98 respectively.

Remuneration Policy

We will be putting a new Remuneration Policy to our shareholders at the AGM on 21 April 2022. This follows extensive engagement with our shareholders, the feedback from which was valuable in informing the decisions and conclusions of the Remuneration Committee in its finalisation of the Policy. Full details regarding the new policy can be found in the Directors' Remuneration Report on page 101.

Compliance and other statements

Application and compliance with the Code

The principles set out in the Code emphasise the value of good corporate governance to the long-term sustainable success of listed companies. These principles, and the supporting provisions, cover five broad themes and the Board is responsible for ensuring that the Company has appropriate frameworks in place to comply with the requirements of the Code. The Board believes that throughout 2021, the Company has applied the principles and complied with the majority of the relevant provisions of the Code with one exception set out below:

Provision 38 – Alignment of pension rates with the workforce

The CEO currently receives a cash payment in lieu of pension contribution of 20% of base salary. This will be reduced to 10% of salary and in alignment with the wider workforce and the Code on 31 December 2022.

The Code is available on the Financial Reporting Council website at www.frc.org.uk.

Application of the Code Principles

References to those parts of the Annual Report and Accounts (Annual Report) that demonstrate how we have applied the main principles of the Code can be found below:

Board Leadership and Company Purpose

Information on the Group's Board of Directors and Company Secretary, the Group's governance framework, Board responsibilities, interests and engagement with stakeholders and its main activities during the year can be found on pages 80.

Division of Responsibilities

The roles and responsibilities of key aspects of the Group's governance framework can be found on page 84.

Composition, Succession and Evaluation

Page 85 and the Nomination Committee Report on page 87 contain information on board composition, the process for appointments to the Board and wider succession planning, the Board evaluation and effectiveness review procedures and the approach to induction, training and development. The Nomination Committee Report includes a summary of the activities undertaken during the year.

Audit, Risk and Internal Control

Pages 85 and 86 and the Audit Committee Report on pages 92 to 96 contain information on financial and business reporting, risk management, internal control and the internal and external audit functions. The Audit Committee Report summarises the activities of the Committee during the year including those areas of significant judgement for the Committee.

Remuneration

Page 86 and the Directors' Remuneration Report on pages 97 to 121 contain information on the Company's Remuneration Policy as well as its application in 2021 and for the coming financial year.

Viability and going concern

Statements in respect of viability and going concern are set out on pages 72 and 73.

Robust assessment of emerging and principal risks

The Board confirms that it has carried out a robust assessment of the emerging and principal risks facing the Group (including those which would threaten the business model, future performance, solvency, liquidity or reputation), its appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on pages 52 and 53. Further details on the emerging and principal risks and uncertainties can be found on page 53.

Annual review of systems of risk management and internal control

The Board monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that overall, these systems were effective. Details on the review process are set out on pages 86.

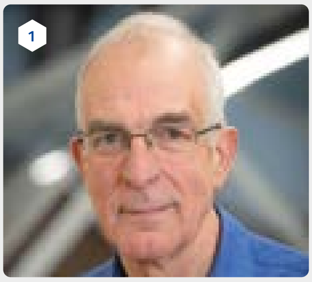
Fair, balanced and understandable

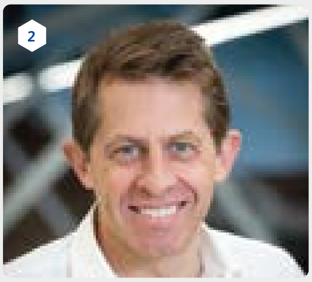
The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Details on the process for arriving at this conclusion are set out on page 94.

Section 172(1)

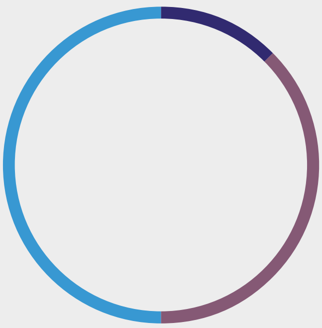
The Directors have performed their duty under s172(1) of the Companies Act 2006. The statement on how this duty has been fulfilled is contained in the Strategic Report on pages 70 to 71.

BOARD OF DIRECTORS AND COMPANY SECRETARY





Board tenure



>4 years	4 directors
3-4 years	3 directors
1-3 years	1 director

1. Jonathan Nicholls BA (Hons), ACA, FCT — Chairman

Date appointed to the Board:	22 September 2015 (Chairman since 24 May 2018)
Tenure on Board:	6 years 5 months
Committee memberships:	Chair of the Nomination Committee, Remuneration Committee
Independent:	On appointment

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

Current external appointments: Chairman of Shaftesbury PLC (appointed September 2016).

Past board roles include: Non-Executive Director and Chairman of the Audit Committee at SIG plc. Senior Independent Director, Chairman of the Audit Committee and member of the Nomination and Remuneration Committees of DS Smith plc. Senior Independent Director and Chair of Audit Committee at Great Portland Estates plc. CFO of Hanson plc. CFO of Old Mutual plc.

2. Joe Hudson BA (Hons), FCIPD — Chief Executive Officer

Date appointed to the Board:	2 January 2018 (CEO since 4 April 2018)
Tenure on Board:	4 years 2 months
Committee memberships:	ESG Committee
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.

3. Christopher McLeish BSc ACA — CFO

Date appointed to the Board:	1 August 2019
Tenure on Board:	2 years 7 months
Committee memberships:	None
Independent:	No

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

Current external appointments: None.

Past board roles include: Finance Director, Tate & Lyle North American Sugars

4. Tracey Graham

	Senior Independent Director
Date appointed to the Board:	3 February 2016
Tenure on Board:	6 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: Non-Executive Director and Chair of the Remuneration Committee of Royal London Group (appointed March 2013). Non-Executive Director and Chair of the Remuneration and Nomination Committees of discoverIE Group plc (appointed November 2015). Non-Executive Director and member of the Remuneration and Nomination Committees of Link Scheme Limited (appointed January 2016). Chair of LINK Consumer Council (appointed June 2016). Member of the City of London Court of Common Council (appointed 2018).

Past board roles include: Chief Executive of Talaris Limited.

5. Justin Read MA, MBA

	Non-Executive Director
Date appointed to the Board:	1 January 2017
Tenure on Board:	5 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. Nine 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: Non-Executive Director and Senior Independent Director and Chair of the Audit Committee and member of the Remuneration and Nomination Committees of Grainger PLC (appointed February 2017). Non-Executive Director and Chair of the Audit Committee and member of the Nomination Committee of Affinity Water Limited (appointed July 2020). Non-Executive Director and Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committees of Marshall of Cambridge (Holdings) Ltd (appointed October 2021).

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. Chairman of SEGRO Pension Scheme Trustees Limited.

6. Louis Eperjesi

	Non-Executive Director
Date appointed to the Board:	1 June 2018
Tenure on Board:	3 years 9 months
Committee memberships:	Remuneration Committee, Audit Committee, Nomination Committee, ESG Committee
Independent:	Yes

Relevant skills and experience: Experience of manufacture and supply of building products in international markets. 10 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. 12 years' experience in UK capital markets.

Current external appointments: Chairman of Trustee of The Cheltenham Trust (appointed March 2020). Chairman of CMS Windows Ltd.

Past board roles include: Executive Director of Kingspan Group plc. Chief Executive Officer of Tyman plc.

7. Claire Hawkings BSc (Hons), MBA

	Non-Executive Director
Date appointed to the Board:	1 September 2018
Tenure on Board:	3 years 6 months
Committee memberships:	Chair of the ESG Committee, Remuneration Committee, Audit Committee, Nomination Committee
Independent:	Yes

Relevant skills and experience: BA (Hons) Degree in Environmental Studies awarded by Northumbria University. MBA from Imperial College Management School. Fellow of the Energy Institute. Sustainability leadership and management expertise. Experience in developing and delivery of organisational strategies including business process transformation, leadership succession, and diversity and inclusion. Significant experience (30 years) in the energy sector in a variety of international leadership positions including: P&L responsibilities, M&A, portfolio management and leading complex commercial transactions.

Current external appointments: Non-Executive Director of Defence Equipment and Support (appointed April 2021). Non-Executive Director of James Fisher and Sons Plc (appointed January 2022). Non-Executive Director of FirstGroup plc (appointed January 2022).

Past board roles include: Director, Tullow Oil Netherlands. Director, Tullow Oil Bangladesh. Director, Gujarat Gas Co. Ltd. Director, British Gas India Pvt. Ltd.

8. Peju Adebajo

	Non-Executive Director
Date appointed to the Board:	26 November 2021
Tenure on Board:	4 months
Committee memberships:	ESG Committee, Remuneration Committee, Audit Committee, Nomination Committee
Independent:	Yes

Relevant skills and experience: CEO with experience across a number of industrial sectors including building materials, renewables, consulting and banking. Over 13 years' experience in commercial expansion and development of products and services. Experience in sustainability leadership, as well as corporate communications. Educated at Imperial College London and holds a Bachelors and Masters Degree in Engineering (Chemical Engineering). MBA from Harvard University and alumna of INSEAD.

Current external appointments: Advisory board member of Lagos Business School. Advisory board member of Renewable Energy Association of Nigeria.

Past board roles include: Chair of Traxi Limited (Nigeria). MD of Lafarge Africa PLC. CEO of Mouka Ltd (Nigeria).

9. Nick Giles MA FCG

	Company Secretary
Date appointed :	8 November 2019
Tenure:	2 years 4 months
Committee memberships:	None
Independent:	N/A

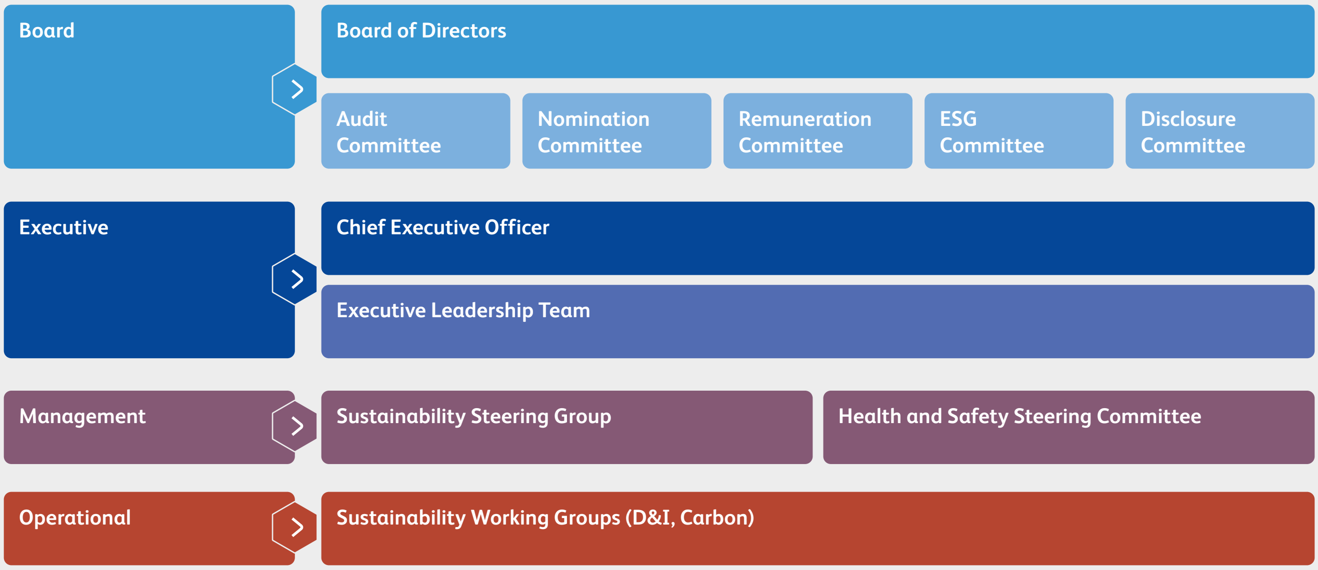
Relevant skills and experience: Undergraduate Degree in Business Studies and Master's Degree in Business Law awarded by the University of Portsmouth. Fellow of the Chartered Governance Institute since 2008. Nearly 20 years' experience gained in governance and compliance roles at FTSE listed companies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

Current external appointments: None

Past board roles include: N/A.

Corporate Governance Statement

Governance framework



Board attendance during the year

The number of scheduled meetings of the Board and its Committees and the attendance by the Directors at meetings that they were eligible to attend during the year is disclosed in the following table:

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
Jonathan Nicholls	8/8	N/A	4/4	2/2	N/A
Joe Hudson	8/8	N/A	N/A	N/A	4/4
Chris McLeish	8/8	N/A	N/A	N/A	N/A
Tracey Graham	8/8	4/4	4/4	2/2	N/A
Justin Read	8/8	4/4	4/4	2/2	N/A
Louis Eperjesi	8/8	4/4	4/4	2/2	4/4
Claire Hawkings	8/8	4/4	4/4	2/2	4/4
Peju Adebajo[1]	1/1	1/1	1/1	0/0	1/1

1. Peju Adebajo joined the Board on 26 November 2021. One meeting took place between 26 November to 31 December 2021.

Governance framework

The Board holds seven or eight scheduled meetings during the year, one of which will be an off-site strategy session. Following the end of the lockdown in April 2021 the Board managed to hold two meetings at the Company's operating locations during the year. The intention is to increase the number of off-site meetings during 2022. If Directors are unable to attend a meeting because of exceptional circumstances, they continue to receive the papers in advance of the meeting and have the opportunity to discuss with the relevant Chair or the Company Secretary any matters on the agenda which they wish to raise. Feedback is also provided to the Director on the decisions taken at the meeting.

Board Leadership and Company Purpose

An effective Board

The Board is collectively responsible for the effective and entrepreneurial leadership of the Group in order to ensure its long-term sustainable success including the generation of value for Ibstock's shareholders and society as a whole. It achieves this by doing business that is consistent with its purpose, vision and values whilst remaining clear on the interests of its key stakeholders as well as its impacts on the environment. Each member of the Board acts in a way which they consider to be in the best long-term interests of the Group and in compliance with their duties under sections 170 to 177 of the Companies Act 2006. Both the Stakeholder Engagement section and the Section 172(1) Statement on pages 70 and 71 provide further information. The main activities of the Board are set out on page 82 including information as to which stakeholder groups were considered as part of different agenda items during the year.

Shareholders look to the Board for the successful delivery of the Group's strategy and financial performance so the Board has established a framework of prudent and effective controls that enable risk to be assessed and managed. More information on the risk management and risk control framework can be found in the Principal Risks and Uncertainties section on page 52 and the Audit, Risk and Internal Control section on page 85. On a regular basis, we review our level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and ESG matters.

Our purpose, values and culture

The construction industry plays a vital part in the UK economy. Ibstock has a clear and simple purpose to be at the heart of building and enable the construction of homes and spaces that help people live better lives, with its range of innovative clay and concrete building products, as we have been doing for over 200 years. We have a clear strategy that is informed by our purpose and aligned with our responsible business ambitions underpinned by a culture that is defined by our core values of Trust, Care, Teamwork and Courage. Strategy sessions form part of the annual Board cycle that is prepared by the Chairman, CEO and Group Company Secretary.

We monitor culture through updates on new initiatives and the development of plans provided by the CEO and the Group Human Resources Director (Group HRD). In addition, Claire Hawkings updates the Board following meetings of The Listening Post, our chosen method of workforce engagement and referenced below, as this serves as a good bellwether for views within the wider business.

The Board monitors and assesses the culture of the Group via:

- Regular meetings with management and inviting employees to present at Board and committee meetings.
- Reviewing the outcomes of employee surveys.
- Feedback from our wider stakeholders.
- Issues raised via the Group's whistleblowing system.
- Health and safety data.

The Board aims to ensure that these values are integrated into decision-making and that the policies and procedures we put in place are consistent with and support our culture. Where behaviour is not aligned with these values, the Board and management seek to ensure that appropriate action is taken. The Board has not needed to seek corrective action during 2021.

Stakeholder interests

The Board has a good understanding of who are considered to be its key stakeholders and recognises the interests, importance and value of each relative to the Group's business and strategy. This is based on regular engagement with these groups over a number of years. An overview of the group's key stakeholders including a summary of the methods of engagement and information on how their interests have been taken into account in Board decision-making can be found from page 40 of the Strategic Report. Some examples of principal Board decisions that were discussed during the year and how the Board considered these stakeholder groups can be found on page 71.

Workforce engagement

The Listening Post, an employee forum comprising Claire Hawkings, Chair of the ESG Committee, the CEO, Group HRD and employee representatives, is our method of engagement with the workforce. Whilst not one of the methods set out in the Code, The Listening Post is a combination of being a workforce advisory panel with Non-Executive Director representation. More detailed information concerning our workforce engagement activities can be found in the Responsible Business section from page 38.

Shareholder engagement

Investor meetings

As part of the Group's annual financial calendar, the CEO and CFO conduct a round of meetings with analysts and investors following the announcement of the Full-Year and Half-Year results. Other meetings are arranged as and when required. During the 2021 financial year, we held over 80 meetings and met virtually with existing and potential investors. This included meetings to discuss both the new Atlas factory and Ibstock Futures further to their announcements in April and November respectively.

The Chairman seeks regular engagement with the Company's major shareholders in order to understand their views on governance and performance against the strategy whilst the Committee Chairs also engage on significant matters related to their area of responsibility. A number of meetings were organised with the Chairman and held during November 2021.

Tracey Graham, our Remuneration Committee Chair, engaged with our top 20 shareholders, representing more than 65% of the share register, in order to consult on the proposed new Remuneration Policy that will be submitted to the AGM for approval in April 2022. As our Senior Independent Director (SID), as well, Tracey is available to shareholders throughout the year if they have concerns that contact through the normal channels has failed to resolve or for which such contact is inappropriate.

Shareholder feedback

The Chairman ensures that the whole of the Board has a clear understanding of the views of shareholders. There is an effective flow of communication between the Board 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 Company's brokers prepare a report that provides anonymised objective feedback received from investors following those meetings. The report is shared with all members of the Board who act upon the feedback as necessary. The Executive Directors also provide feedback on their conversations with investors which provides an opportunity for all Non-Executive Directors to develop a better understanding of the views of Ibstock's major shareholders. Further information on engagement with shareholders can be found in the Stakeholder engagement section on page 40.

Investor visits

Interested institutional investors are provided with opportunities to visit any of the Group's operational sites and are encouraged to do so in order to increase their understanding of Ibstock's business.

In addition, we are hoping to arrange and hold our first Capital Markets Day later in the year since the Company was initially listed in 2015. This will present an opportunity for our shareholders, analysts and other stakeholders to meet the Board and members of Ibstock's broader management team.

Annual General Meeting (AGM)

Ibstock's AGM will be held on 21 April 2022 and we are planning to welcome our shareholders in person for the first time since 2019.

Any shareholder who wishes to ask a question can do so in advance of the meeting. Please email company.secretariat@ibstock.co.uk with any questions prior to the start of the AGM. We endeavour to answer as many questions as possible and will respond by email if we are unable to answer your question during the meeting.

Details of the arrangements together with the resolutions to be proposed at the AGM to be held on 21 April 2022 can be found in the Notice of Meeting (Notice). The Notice, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report. This document will also be available on our website. Results of voting at the AGM are announced to the London Stock Exchange following the meeting and are then published on the Company's website.

Annual Report
Our Annual Report is available to all shareholders and we aim to make our Annual Report as accessible as possible. Shareholders can opt to receive a hard copy in the post, a PDF copy via email or download a copy from our website. In line with our sustainability ethos we encourage you to view a digital copy of our Annual Report where possible, however, if you require a hard copy of the Annual Report please contact the Company Secretary.

Corporate website
Our corporate website has a dedicated investor section with Company information and results, our Annual Reports, results presentations (including webcasts) and an investor news section including information which may be of interest to our shareholders. We recognise that continual improvement is necessary and in recognition of feedback received around the current website's suitability and ease of use we have begun a project to upgrade and refresh the website to take account of these comments and to make it more useful and intuitive to all users going forward.

Conflicts of interest
A register of conflicts of interest is maintained by the Company Secretary and considered by the Board twice a year. 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 such authorisation. During the year, and as at the date of this report, no conflicts had been reported to the Board.

Any concerns of the Directors around the operation of the Board or the management of the Company and that cannot be resolved are recorded in the Board minutes. Directors are asked to provide a written statement to the Chairman for circulation to the Board should they have such concerns when they resign from the Board.

Whistleblowing
Although the Audit Committee reviews the operation of Ibstock's whistleblowing arrangements, the Board retains responsibility and receives a consolidated report setting out those material incidents that have been reported under the Company's Whistleblowing Policy on a half yearly basis. This provides appropriate oversight of the arrangements in place for our employees to raise legitimate concerns, in confidence, about any matter including those related to financial reporting, health and safety or other improper conduct. Having reviewed these reports, the Board concurred with the actions taken by management and were satisfied that this provided an appropriate level of assurance that confirmed the system was working and that all members of the workforce were familiar with the procedures in place.

Activities of the Board in 2021
The key activities considered by the Board during the year are set out below. The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's purpose. The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions. You can read more in our Section 172(1) Statement on page 70 and on page 83 opposite.

Board meetings follow a clear agenda that is agreed in advance by the Chairman, in conjunction with the CEO and Company Secretary. Each meeting will start with a review of the Group's progress against its Health and Safety Roadmap and include a number of standing elements including reports on operational and financial performance from the CEO and CFO and legal and governance updates.

Details of the Directors' attendance at the scheduled meetings can be found on page 80.

Strategy
There is a dedicated two day session assigned to consideration and review of the Group's strategy on an annual basis. During this time the Board will receive inputs from its key advisers, the Executive Directors as well as members of the senior management teams.

Health and Safety
The Board considers the health and safety report from the Group's Head of Health and Safety covering progress relative to targets, updates on new projects and initiatives and analysis of any incidents. A more detailed summary round up of incidents is presented once a year.

Operational
The CEO provides regular reports to the Board providing information on Ibstock's performance in the preceding period with updates on all areas of the business including people, major projects, sustainability initiatives and stakeholder engagement.

Financial
The Board receives a pack of financial data on a regular basis that provides sufficient information on Ibstock's trading and financial position for historic periods as well as forward looking forecast and budgets. Longer-term plans and information on the Group's banking relationships is also provided.

Legal and Governance
Formal annual updates on governance are received from the Group's advisers between which the Board receives regular updates on other major legal and governance developments from the Company Secretary. Papers regarding compliance with the Board's administrative procedures are also provided.

Key Stakeholder Groups
- Customers
- Communities
- Investors
- Workforce
- Suppliers and Contractors
- Regulators and Government
- Pension Fund Members and Trustees

Section 172(1) Approach

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. This includes those decisions which involve the competing interests and priorities of our key stakeholders. We remain clear on the overriding duty to promote the success of the Company placed on the Board and other senior managers within the Group, and recognise that conflicts between differing interests will often arise.

Principal Decisions during 2021

The main areas of Board activity can be found on page 82. All of these areas involve a range of inputs from stakeholders which are communicated to the Board in a variety of different ways. We detail below how the Board factored stakeholders, and the information we received through engagement, into three principal decisions in 2021. When making each decision, the Board carefully considered how it impacted on the success of the Group, its long-term (financial and non-financial) impact and had due regard to the other matters set out in s172(1)(a) to (f) of the Companies Act 2006.

Matter discussed	Stakeholders considered	How we considered these stakeholders	Decision
Dividend	Investors, Workforce, Pension Fund Members and Trustees	Consideration was given to: • The need to provide support to our shareholders following the cancellation of the dividend in 2019. • The Group's ability to meet its liabilities to employees through salary payments. • Continuing to provide support to the defined benefit pension scheme as part of the recovery plan.	The decision was taken to pay a Full-Year and a Half-Year dividend following the cancellation of the dividend in 2019.
Ibstock Futures	Investors, Workforce, Customers and Communities	Consideration was given to: • Investment opportunities available to the Group. • How to use existing and future members of the workforce to support this decision. • How customers could react to a strategic change. • Use of capital and the impact on longer-term returns for our shareholders.	The decision was made to launch a new business unit that would focus on diverse areas of growth outside of the core business.
New ESG Strategy	The environment, Investors, Workforce, Communities, Customers and Suppliers	Consideration was given to: • The impact of our operations on the environment. • Our reputation to our customers and suppliers. • The appetite and enthusiasm of our employees to get involved. • Our shareholders' perception and effect upon their investment decisions.	A new strategy was approved including a commitment to become a net zero business by 2040.

Division of Responsibilities

The Board has clearly defined the roles of the Chairman, CEO and SID and, as required by the Code, the roles of Chairman and CEO are not being exercised by the same individual. Full details of the roles and responsibilities of all parts of the Group's governance arrangements including those concerning the Chairman, CEO and SID can be found on the Company's website.

The Board	There are a number of key areas that are specifically reserved for the decision of the Board and a list of these, that were updated at our December meeting, can be found on our website. Other matters, including the day-to-day management of the Group, may be delegated to the Executive Directors. Although a wide range of the Board's powers and authorities are delegated to the CEO, the Board retains ultimate responsibility and authority for their exercise. Details of the number of meetings held during the year can be found on page 80. The Board approves the Group's governance framework, taking into account contributions from Board Committees in their specialist areas such as remuneration policy, internal controls and risk management and succession planning. 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. The Board is satisfied that Directors have sufficient time to perform their duties and furthermore, the Board believes that this external experience serves to enhance the capability of the Board.
Board Committees	The Board has five main committees: the Nomination Committee, Remuneration Committee, Audit Committee, ESG Committee and the Disclosure Committee. The terms of reference for each Committee are available on the Group's website.
Executive Leadership Team	The ELT has been established to support the CEO in his management of the business on a day-to-day basis and exercise any authority delegated to him by the Board. Members of the ELT include the CFO, the COO, MD of Ibstock Futures, Group Development Director, Group HR Director and the Group Company Secretary. Meetings are held on a monthly basis.
Chairman	The Chairman is responsible for the leadership and effectiveness of the Board. The Chairman, with the CEO and the Group Company Secretary, sets the agenda for Board meetings, manages the meetings (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during those meetings. He also holds meetings without the CEO and CFO being present.
Chief Executive Officer	Joe Hudson, our CEO, has specific responsibility for recommending the Group's strategy to the Board and for delivering the strategy once approved. In undertaking such responsibilities, Joe is supported by the ELT and other Board colleagues. Together with the CFO, he monitors the Group's operating and financial results and directs the day to day business of the Group. The CEO is also responsible for the recruitment, leadership and development of the ELT.
CFO	Chris McLeish, our CFO, is responsible for the financial matters in the Group. Chris supports the CEO in the achievement of the Group's strategic objectives and manages the relationships with Ibstock's investors and analysts. Further information can be found in the Financial Review on page 64.
Senior Independent Director (SID)	The SID provides advice to the Chairman and serves as an intermediary for the other Directors and shareholders. The Non-Executive Directors meet without the Chair present at least annually to appraise the Chairman's performance, and on other occasions as necessary.
Independent Non-Executive Directors	The Non-Executive Directors provide an external perspective, sound judgement and objectivity to the Board's deliberations and decision-making. With their diverse range of skills and expertise, they support and constructively challenge the Executive Directors and monitor and scrutinise the Group's performance against agreed goals and objectives. The Non-Executive Directors are also responsible for determining appropriate levels of executive remuneration, appointing and removing Executive Directors, and succession planning through their membership of the Remuneration and Nomination Committees. The Non-Executive Directors together with the Chairman meet regularly without any Executive Directors being present.
Board support and the Group Company Secretary	Our Group Company Secretary, Nick Giles, supports and works closely with the Chairman, the CEO and the Chairs of the Board Committees in setting agendas for meetings of the Board and its Committees. He works to ensure there is accurate, timely and clear information flows to and from the Board and the Board Committees, and between Directors and senior management. In addition, he supports the Chairman in designing and delivering Directors' induction programmes and the Board and Committee performance evaluations. He also advises the Board on corporate governance matters and Board procedures, and is responsible for administering the Share Dealing Code and the AGM. The Directors of all Group companies, as well as the Board, have access to the advice and services of the Company Secretary although 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 appointment and the removal of the Company Secretary is a matter for the Board as a whole.
Independence	The independence of the Non-Executive Directors is considered on an annual basis by the Nomination Committee on behalf of the Board and following this year's review, it was concluded that all of the Non-Executive Directors continue to remain independent in character and judgement and are free from any business or other relationships that could materially affect the exercise of their judgement. The balance of skills and experience ensures that no one individual or small group of individuals dominates the Board's decision-making processes. The Board and Nomination Committee also review Committee membership annually to ensure that undue reliance is not placed on individuals.

Composition, Succession and Evaluation

Nomination Committee

The Board has established a Nomination Committee to which it has delegated a number of responsibilities. Information on the Committee's composition, together with the principal activities carried out during the year, are included in the Nomination Committee Report on page 87.

Board composition

The Board comprised eight Directors at the year end: two Executive Directors and six Non-Executive Directors. Over half of our Board (excluding the Chairman) are deemed independent Non-Executive Directors and the composition of all Board Committees complies with the Code. Additionally, the Chairman was considered independent on his appointment.

The Committee is responsible for regularly reviewing the composition of the Board. The Board and its Committees benefit from a combination of skills, experience and knowledge drawn from across several industries and functional roles. Length of tenure and the range of skills and experience of the Board can be found in the Directors and Company Secretary section on page 78.

Appointments and succession

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

The Board and the Nomination Committee considered Board succession and that of the wider ELT during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide constructive challenge and promote diversity. Further to these discussions, an additional Non-Executive Director was appointed to the Board during the year. Further detail regarding the appointment process can be found within the Nomination Committee Report on page 87.

Evaluation

Process and methodology

The Board undertook an evaluation of its own performance, and that of its Committees and the individual Directors in respect of the year under review. 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.

Having completed an external evaluation during the 2020 financial year, the 2021 evaluation was internally facilitated and supported by the Company Secretary. To enable this, a questionnaire was completed by all members of the Board which included questions around the Group's explored strategy, effectiveness and accountability. The process provided the Board with the opportunity to make specific comments in response to a series of "open" questions. The results were collated by the Company Secretary and a report provided to the members of the Board for review.

Individual evaluation

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

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

Outcomes

Board effectiveness reviews, by their very nature, can feel somewhat negative given that the outcome is primarily a discussion of areas for improvement. As a balance the review identified many positive aspects of the current operation of the Board and showed that the Board is effective in most areas, is well led, and that the Directors challenge constructively. The evaluation concluded that the Board and its Committees continued to provide effective leadership and exert the required levels of governance and control and that each Director continued to contribute effectively and demonstrate commitment to his or her role.

A number of recommendations coming out of the 2021 evaluation were discussed by the Board and it was agreed that a formal action plan would be developed with support from the Company Secretary to address the recommendations. This plan will form a standing part of the activities of the Board over the course of the coming year.

Induction, training and development

All new Directors receive a tailored induction programme upon joining the Board and additional training is made available to members of the Board in accordance with their requirements. The Nomination Committee 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 will 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.

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.

Induction of Peju Adebajo

Peju Adebajo was appointed as a Director on 26 November 2021. Her induction programme included detailed briefings from key members of the senior management team and the Company's brokers, external and internal auditors and legal advisors. Peju also received comprehensive information on the operation of the Board, its processes and governance. Visits were arranged to a number of the Group's principal factories and operations.

Re-election of Directors

All of the Directors are subject to annual re-election and intend to submit themselves for re-election at the 2022 AGM. The Notice sets out the reasons why the Board considers their respective contributions to be and to continue to be important to the Company's long term sustainable success.

Audit, Risk and Internal Control

Audit Committee

The Board has established an Audit Committee to which it has delegated a number of responsibilities. Information on the Committee's composition, its role, together with information regarding the principal activities that it carried out during the year, are included in the Audit Committee Report on page 92. The Board considers that the Chairman of the Audit Committee, Justin Read, possesses the level of recent and relevant financial experience required and that the Committee, as a whole, has competence relevant to the sector in which the Group operates. Additional information on the skills and experience of the members of the Audit Committee can be found in the Board of Directors and Company Secretary section on page 78.

Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group provide a fair, balanced and understandable assessment of Ibstock's position and prospects. The Strategic Report on pages 1 to 73 explains the Group's Business Model and the strategy for delivering the objectives of the Group and a statement on the Group as a going concern and the Viability Statement is set out on page 72.

With the support of the Audit Committee, the Board has reviewed the 2021 Annual Report and considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further details of the review work carried out by the Audit Committee in relation to the 2021 Annual Report can be found in the Audit Committee Report on page 92.

Risk management

The Board ensures that the necessary resources are in place for the Company to meet its objectives and to measure performance against them. It has established a robust risk management and internal control framework that supports the effective identification, assessment and mitigation of risk and completes a robust assessment of the Company's emerging and principal risks as required by the Code as well as a review of their effectiveness. Please refer to page 52 for further information on the Group's ongoing risk management process and the Group's principal and emerging risks and uncertainties together with details around their related mitigating factors.

The Audit Committee provides support in the discharge of these responsibilities by reviewing and monitoring the Group's risk management framework and the reporting of risk internally and externally. The Audit Committee Report on page 92 sets out how these responsibilities have been discharged during the year.

During the year, the Group's Internal Auditor, RSM, provided support to the Group Company Secretary in the operation of the full-year process for the review of risk. This resulted in a number of changes to the articulation of the Group's principal risks as well as some proposed actions for the continued development of the Group's management of risk. These will form the basis of an action plan for implementation by management during 2022. Further information can be found in the Principal Risks and Uncertainties section on page 52.

Internal control

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They 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 overall responsibility for Ibstock's system of internal control and for reviewing its effectiveness rests with the Board but this responsibility has been delegated to the Audit Committee. Further details of the review and monitoring procedures can be found within the Audit Committee Report on page 96.

Audit

Details of the Internal Audit function and the External Auditors are provided in the Audit Committee Report on page 95. The Board is satisfied that the necessary policies and procedures are in place to ensure the independence and effectiveness of both.

Remuneration

The Remuneration Committee

The Board has established a Remuneration Committee, which has delegated responsibility for determining the policy for executive remuneration and setting remuneration for the Chairman of the Board, CEO and members of the ELT including the Company Secretary. When doing so, the Remuneration Committee takes account of wider workforce remuneration and related policies and the alignment of incentives and rewards with Ibstock's culture. Further details of the work of the Remuneration Committee are set out from page 98.

Remuneration Policy

The proposed Executive Remuneration Policy for approval at the 2022 AGM and details of the remuneration packages of individual Directors are set out on pages 101 to 111. During the year no individual Director was present when their own remuneration was determined.

Setting the cultural tone

Purpose

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

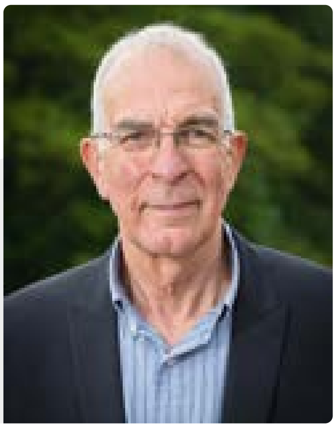
Vision

We enable the construction of homes and spaces that inspire people to work and live better.

Values

Our values reflect what people feel Ibstock represents as a business and a place to work and encompass the behaviours necessary to underpin our day to day activities.

Project: Fermoy Road. London
Product used: Staffordshire Slate Blue Smooth



Jonathan Nicholls
Chair of the
Nomination Committee

Membership, meetings and attendance
Membership comprises the independent Non-Executive Directors with support from the Group's Company Secretary. Details of meeting attendance can be found on page 80. The Committee met on two occasions during the year.

Role and responsibilities
The key responsibilities of the Committee are to:

- 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.

Introduction
I am pleased to present my report, as Chair of the Nomination Committee (the Committee), to you for the year ended 31 December 2021.

The Committee leads the process for appointments, ensures plans are in place for orderly succession to both the Board and senior management positions, and oversees the development of a diverse pipeline for succession.

During the year under review the Committee held two formal meetings but also considered a number of matters for which it is responsible as part of the Board Strategy session in June. The Committee oversaw the recruitment process for an additional Non-Executive Director that concluded with the appointment of Peju Adebajo last November. I am delighted that Peju decided to join our Board and she will provide additional perspective and challenge which will enrich and improve our Board discussions. Following the appointment of Peju we have no plans to appoint any additional Non-Executive Directors.

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

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

As part of the succession planning process, the Committee takes account of the balance of skills, knowledge, experience and diversity. The Committee reviewed 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 succession planning arrangements in place.

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

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

Board and Committee evaluation
The method and outcomes from the FY 2021 internal Board evaluation can be found in the Corporate Governance Statement on page 85.
The effectiveness of the Committee was reviewed by both the Board and the Committee, in compliance with the Code. The evaluation in respect of the 2021 financial year was conducted internally through a bespoke questionnaire. The conclusion drawn from the review was that the Committee operates effectively.

Activities and focus during 2021
The table summarises the agenda items covered by the Committee during the year.

Activity	H1	H2
Board Diversity	X	X
Reviewed Committee's terms of reference		X
Reviewed size, structure and composition of the Board		X
Reviewed time commitment required from Non-Executive Directors		X
Reviewed the independence of Non-Executive Directors		X
Annual review of the Committee's effectiveness		X
Reviewed succession planning arrangements and organisational changes	X	
Recommended appointment of additional Non-Executive Director		X

Appointment of Peju Adebajo

The Board appointed a new non-executive director during the year which has expanded our existing collective skillset (the Board of Directors and Company Secretary section on page 78 has more detail). A summary of the appointment process is set out below:

Recruitment/selection
The Nomination Committee had a number of conversations regarding Board composition and diversity during the year. These concluded that an additional member of the Board should be recruited. An appropriate role specification was agreed and potential candidates discussed with input from the Board and externally.

Interview
Meetings were arranged and held with those candidates that were considered to have the most suitable additional skills and experience required. These included the Chairman and SID as well as other members of the Board. An executive search firm assisted with this process.

Appointment
The Nomination Committee met in November to consider the outcomes of all meetings and provided a recommendation to the Board that Peju be appointed on 26 November.

Induction
Following her appointment Peju attended her first meeting of the Board and a number of Committees in December 2021. Since then, she has been in the process of completing a bespoke induction programme that has included the provision of detailed information regarding Board procedures, corporate governance and regulation and a programme of visits to a number of Ibstock's manufacturing locations and its head office. Specific sessions concerning the business and the manufacturing processes have also been arranged to provide Peju with a broad understanding of the business.

Diversity and inclusion

Our current employee population reflects the traditional nature of our industry across all diversity characteristics including age, race, gender, sexual orientation and disability. We recognise the challenge we face with 85% of roles being occupied by men including a higher percentage of men in factory-based production roles. Further information on diversity and inclusion progress during the year under review can be found in the Responsible Business section on page 39.

The Board acknowledges the aims, objectives and recommendations outlined in the Hampton-Alexander Review and is aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. The Board also acknowledges and supports the aims, objectives and recommendations of the Parker Review on ethnic diversity and the emphasis in the Disclosure Guidance and Transparency Rules on disclosure around diversity with regard to aspects such as age, gender and educational and professional background. We are satisfied that we are fully compliant and meet the recommendations of both reviews but will consider our position relative to the proposed revised targets being considered as part of the next stage of the FTSE Women Leaders work when appropriate.

Diversity Policy

Ibstock operates a Diversity and Inclusion Policy which is applicable to the whole organisation and which informs the Board's approach in this area. The policy is accessible to everyone at Ibstock through the HR team and on MyIbstock. The need for a specific Board Diversity policy was a recommendation of the recent governance and compliance review and will be launched during the coming year. We continue to work with our recruitment partners to ensure that we are able to attract high-quality candidates from a wide range of backgrounds, strengths and abilities. We recognise that achievement of our strategic objectives is reliant on the recruitment and retention of a diverse and engaged workforce and efforts in this area will continue.

Although the Board has historically not considered 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 have decided, that in order to drive change in our industry we need to take some strong actions. Therefore we have introduced a specific target to increase female representation in the senior management group to 40% by 2027. This group includes those members of the ELT and their direct reports.

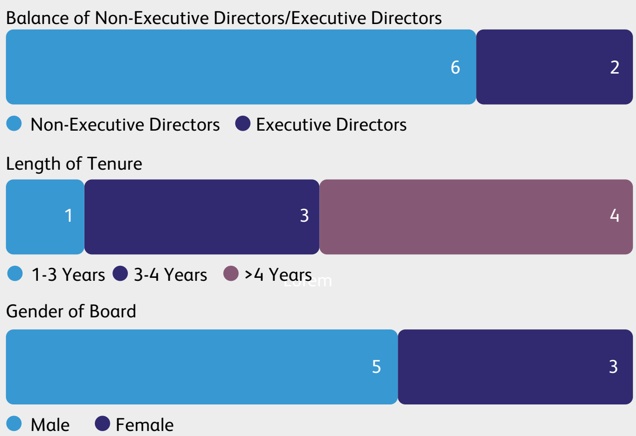
Priorities for 2022

One of the areas of focus for the coming year will be to consider the need for a new Diversity Policy and a full review of our approach in this area. The Committee will also be working on refining its succession plans at all levels of the organisation.

Jonathan Nicholls

Chair of the Nomination Committee
8 March 2022

Board composition as at 31 December 2021



Q&A with Claire Hawkings

Chair of the ESG Committee

Q. Why have you decided to launch a new strategy?

Ibstock launched its Sustainability Roadmap in 2018. This included a range of targets and milestones that would move the business towards being more responsible and aware of its social impact. The success of the Company against a number of these and the increasing focus on ESG matters, not least the legal position around net zero, meant it was the right thing to do and the right time.

Q. What work was undertaken to define the strategy?

As a heavy user of energy in order to manufacture our products, we have always been really clear on where the Company's major areas of impact and effect lie which is why we have been working really hard to address the level of carbon produced by the business. We conducted a high level materiality assessment to understand the issues that were important to all of our stakeholders and that impacted on the business and formulated our new framework with these in mind. The new strategy is centred around evolutionary changes through a rearticulation of existing priorities albeit with some really ambitious targets included.

Q. How does the strategy integrate into the overall Group strategy?

Our approach to ESG matters underpins the culture of Ibstock and is part of all that we do. The targets and milestones of the new ESG strategy are distributed across our corporate strategic pillars of Sustain, Innovate and Grow. Further information can be found in the strategy section on page 18.

Q. What is your approach to ESG governance?

The Board continues to have ultimate responsibility for all ESG matters but the Committee takes the lead in managing the Company's approach and implementation of the ESG framework to enable us to meet our commitments to all stakeholders. The Committee is supported by an internal sustainability team and will be appointing advisers to provide more specialist technical advice as we move through 2022. Implementation of the strategy is the responsibility of the Executive Leadership Team which actions this through a number of ESG working groups that each have ownership of an area of the strategy and that are coordinated through the Sustainability Steering Group.

Q. What achievements are you most proud of over the last 12 months?

For the past decade, Ibstock has been leading in this area, driving incremental improvement and embedding change across the business and the last year has seen us deliver on some of our original roadmap commitments ahead of time and launch a new strategic framework which will push our agenda out to 2030. These are fantastic achievements and Ibstock's commitment to becoming a net zero carbon business by 2040 only serves to reinforce how serious we are on tackling climate change. I am pleased with our focus on driving a culture of inclusion in Ibstock and addressing diversity within the industry leadership is really fundamental to success, so the executive sponsorship of D&I is an important step forwards.

Membership, meetings and attendance

Membership of the ESG Committee (Committee) consists of three Non-Executive Directors and the CEO. The Group Company Secretary also attends in his capacity as the member of the ELT responsible for ESG and Sustainability issues at Ibstock. Members of the Sustainability team and other group functions attend meetings at the invitation of the Committee Chair. In addition, the Committee invites an independent consultant to regularly attend ESG Committee meetings to provide benchmarking and industry views. The Deputy Company Secretary acted as secretary to the Committee during its first year of operation.

Peju Adebajo joined the Committee following her appointment to the Board on 26 November 2021 and attended her first meeting in December. Details of meeting attendance can be found on page 80. The ESG Committee (the Committee) met on four occasions during the year and the table setting out the main agenda items for each meeting can be found below.

Role and responsibilities

The Committee is appointed to assist the Board in the discharge of its duties through overseeing Ibstock's strategies, policies and performance in relation to environmental, social and governance matters and suggest ways to drive improvement in these areas as appropriate.

The key responsibilities of the Committee are to:

- Develop a corporate ESG strategy and ensure it is in alignment with the corporate strategy, purpose and values;
- Develop and recommend to the Board, ESG targets and key performance indicators;
- Understand the impact of the Company's operations on the environment;
- Oversee the promotion of socially responsible values and standards that relate to the social and economic community in which the Company operates;
- Work with the Remuneration Committee in assessing actual performance relative to ESG;
- Performance measures used in the Company's incentive plans; and
- Oversee Company disclosures of ESG matters in the Annual Report and Accounts.

Introduction

I am extremely pleased to present the first ever report from the newly formed ESG Committee. It has been an extremely busy year with a packed agenda which has resulted in a number of really exciting developments for Ibstock and its stakeholders. Despite our first meeting not taking place until the second quarter of the year we managed to get together for a total of four meetings, two of which were held at operational sites so that we could meet local management and have deep dive sessions on topics relevant to those locations. As soon as the Committee was up and running we developed a detailed annual plan that provided clarity around what would be considered at which meetings.

At the beginning of the year we identified two key areas that would require real application in order to achieve our objectives. These included a need to clarify the articulation of our approach to ESG issues and the obligation to comply with the new mandatory TCFD reporting requirements in the UK Listing Rules. Details of the work done in both of these areas can be found below.

A number of attendees supported the Committee during the year and I extend my thanks to them for all of their contributions and input. We are fortunate to have some external support from Isabel McAllister, Sustainability Director of Mace Limited, who provides insight and perspective on a range of ESG issues.

Towards the end of the year the Committee welcomed Peju Adebejo as a member and look forward to her contributions. Further detail on the key areas covered by the Committee during the year can be found below on the next page.

Activities and focus during 2021

The table summarises the agenda items covered by the Committee during the year. There were two meetings during Q3 in July and September

2021	Q2	Q3	Q4
Reviewed progress against KPIs	X	X	X
Updates on Sustainability Working Group	X	X	X
ESG Framework and Strategy	X	X	X
Deep dive on water efficiency	X		
Deep dive on Clay facility		X	
Net zero strategy development	X	X	X
Health, Safety & Wellbeing initiatives		X	
Stakeholder Engagement Report	X	X	X
TCFD Implementation Updates	X	X	X
Approve Sustainability Report (External)		X	
Annual Report disclosures			X
LTIP Performance Condition Assessment			X
Effectiveness of the ESG Committee			X

EcoHabitat range – Bee Brick

ESG Committee visiting Laybrook

New ESG Strategy

We began our sustainability journey with a five-year Roadmap and series of 2025 targets to tackle Ibstock's key sustainability issues. Following the work that was completed during the year we now have a strategy that can both meet our immediate needs and drive us forward to succeed in the longer term.

Our new ESG Strategy defines why we are taking a longer-term view and shares our forward plan with our key external stakeholders, as well as our colleagues. Bringing our people with us on this journey will enable us to make progress more swiftly and with greater force. We need to do this together.

This strategy aims to ensure we grow as a responsible business. We have set ourselves challenging targets to try and address the global problems of today and tomorrow. Enabling our people to embrace and embed this strategy will position Ibstock to challenge the norm and make the transformation that we need. Full details of the ambitions, targets and milestones of this new strategy are set out in the Responsible Business section on page 32.

Net zero commitment

A key part of our new ESG strategy is the commitment to become a net zero carbon business by 2040 and achieving a 40% reduction in Scope 1 and 2 emissions by 2030. This will be a real challenge for the business and will be reliant on some critical actions on the road to success, which have been summarised on page 37.

Taskforce for Climate-related Financial Disclosures (TCFD)

The Committee has overseen the work of the internal TCFD working group, reviewing progress at each meeting. This working group comprised representatives from the Company Secretariat, Sustainability and Finance functions and met on a regular basis to make sure that Ibstock was appropriately prepared in advance to meet the requirements of the UK Listing Rules this year. The working group was supported on a number of specific areas of compliance by an external consultant and their findings and recommendations were considered by the Committee at its December meeting. Our full TCFD disclosure can be found on page 48.

Priorities for 2022

The coming year will see the Committee further developing the quality of its external reporting disclosures to ensure these are as clear and transparent as possible for all of our stakeholders. We will be looking to make good progress against those existing and new targets under the ESG strategy as well as work with management to develop Ibstock's social agenda.

Claire Hawkings
Chair of the ESG Committee
8 March 2022

Justin Read
Chair of the Audit Committee

Membership, meetings and attendance
Membership comprises the independent Non-Executive Directors with support from the Group's Company Secretary. Peju Adebajo joined the Committee following her appointment to the Board on 26 November 2021 and attended her first meeting in December. Details of meeting attendance can be found on page 80. The Audit Committee (Committee) met on four occasions during the year and the table setting out the main agenda items for each meeting can be found below.

The Chairman, CEO, CFO and other senior members of the Finance team are routinely invited to attend Committee meetings. The External Auditor and the Internal Auditor attended all meetings during the year. Other individuals are invited to attend the Committee's meetings, as and when required.

The Chair has regular meetings with the CFO, External Audit partner and Internal Audit partner to discuss key audit related topics ahead of each Committee meeting. In addition, the Committee also holds private sessions with the CEO, CFO, External Audit partner and RSM LLP (RSM), the Internal Auditor, on a rotational basis after each meeting.

Role and responsibilities
The Committee is appointed by the Board and reviews and makes recommendations to the Board on the Group's financial reporting, internal control and risk management systems. Its role, duties and responsibilities are governed by a clear set of terms of reference (available in full on our website) that are reviewed by the Committee and approved by the Board on an annual basis with the last review having taken place in December 2021.

The Committee provides independent monitoring, guidance and challenge to the Executive Directors. In addition, it assesses the effectiveness of the external audit process and the External and Internal Auditor.

Through these processes the Committee's aim is to ensure high standards of corporate and regulatory reporting, risk management and compliance, and an appropriate control environment. The Committee believes that excellence in these areas enhances effectiveness, reduces risks to the business, and protects the interests of the shareholders with regard to the integrity of financial information published by the Group.

Introduction
I am pleased to present my report to you, as Chair of the Audit Committee (the Committee), for the year ended 31 December 2021. 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 management in these areas.

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

Amongst those activities that form the basis of the annual calendar, this year has seen considerable time spent looking at the potential impacts and implications of the consultation paper entitled 'Restoring Trust in Audit and Corporate Governance' published by the Department for Business, Energy and Industrial Strategy (BEIS). The Committee will continue to develop its thinking as the final position on these issues is formalised but has already started to implement those recommendations that are considered to be most relevant. This has included an initial deep dive on what would be required should a more formal assessment of the effectiveness of internal control over financial reporting need to be undertaken to meet a potential UK SOX regime in future.

At its July meeting the Committee received an update on the current threats and levels of protection within the business to mitigate the risks of external or internal cyber-attacks on the Company's information systems and proprietary data. This remains an area of focus as the sophistication of methods used to exploit potential gaps in our systems continues to increase. The Committee also undertook a deep dive session on the use and level of customer rebates within the business.

Following the introduction of the new ESG Committee at the beginning of the year we have been working to ensure that the relevant non-financial disclosures in the Annual Report and any other reporting related requirements are considered appropriately. This has included discussion around the levels of assurance obtained on non-financial data and consideration of the TCFD requirements that became mandatory for Ibstock this reporting year. As a result, the Committee is now taking a more active role in considering the impacts of climate change on the financial statements.

Following the release of the trading update in November 2021, the Committee discussed the approach to accounting and control in the new Ibstock Futures business. This is something that will remain on the agenda as this part of the business develops.

Further information regarding the activities of the Committee during the year can be found on the subsequent pages.

Activities and focus during 2021
The table summarises the main agenda items covered at the Committee's meetings during the year.

2021	Q1	Q2	Q3	Q4
Financial and narrative reporting	X	X	X	X
External Audit Planning and Reporting	X	X	X	X
Risk Management and Internal Control Processes	X	X	X	X
Independence and objectivity of the External Auditor	X		X	
Internal Audit updates	X	X	X	X
Annual review of the Committee's effectiveness	X			
Review of significant accounting matters and judgements	X	X	X	X
Consideration of incidences of fraud and whistleblowing	X	X	X	X
Review of compliance systems		X		
Consideration of the effectiveness of the internal and external audit functions		X		X
Cyber and Information Security			X	
Consideration of BEIS consultation			X	X

Financial and narrative reporting

Financial statements

During the year the Committee:

- Reviewed the Full- and Half-Year results and associated announcements and recommended them to the Board for approval.
- Reviewed the Group's Annual Report to consider whether, taken as a whole, it was fair, balanced and understandable and whether it provided the necessary information required for shareholders to assess the Company's position, performance, business model and strategy and recommended it to the Board for approval. Further information on the format of this review can be found on page 94.
- 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 accounting and key areas of judgement considered by the Committee during the year below).
- Received updates on corporate reporting and corporate governance from the External Auditor.
- Considered the process for preparing the 2021 Annual Report.
- Received updates on training for Committee members, including changes in financial reporting requirements and company law.

Significant accounting and key areas of judgement

A key factor in the integrity of financial statements is ensuring that suitable accounting policies are adopted and applied consistently on a year-on-year basis. The Committee specifically uses the Audit Planning meetings in June and December each year to consider the adoption of any relevant new standards, 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.

Pension liability accounting and disclosure

Matter considered

The Group operates a defined benefit pension scheme. Management exercise their judgement around the assumptions used by its actuary, including the sensitivities to these assumptions, to calculate the pension scheme liabilities under IAS 19 (R) Employee Benefits.

As at 31 December 2021, the scheme had an actuarial accounting surplus of £57.8 million (2020: £43.6 million), including liabilities of £560.3 million (2020: £595.6 million), as detailed in Note 21 to the financial statements.

Committee's response

The Committee concurred with management's assessment that the estimates used within the valuation of the Group's pension liability (including future changes in discount rates, inflation, increases in pension payments and life expectancy) represented significant sources of estimation uncertainty, as set out within IAS 1 Presentation of Financial Statements. A review of management's proposed disclosure in relation to this estimation uncertainty was completed.

Additionally, the Committee reviewed the assumptions with management and sought views from the External Auditor before it concluded on the appropriateness of the actuarial balances disclosed.

This review considered the financial assumptions used by management as part of the actuarial valuation and the range of possible assumptions using available market data to assess the reasonableness.

In conclusion, the Committee determined that the actuarial assumptions used in the valuation of the period end pension liabilities were in an acceptable range, disclosed appropriately and was satisfied that the resulting presentation and disclosure was appropriate.

Impairment of non-current assets

Matter considered

The Group holds significant asset values in the form of brands, customer relationships, mineral reserves, land and buildings and property, plant and equipment. At the interim and year-end balance sheet date, these assets were considered for indications of impairment.

In the prior year, an impairment charge of £20.4 million was recognised following the full impairment of assets associated with the Group's production facilities earmarked for closure. At 31 December 2021, management performed an assessment of indicators of impairment and determined that no such factors existed.

Additionally, management revisited the assessment of assets impaired in the prior year and identified £5.8 million of assets, which, as a result of capital investment decisions taken during 2021, indicated evidence of impairment reversal. This reversal was proposed as an income statement credit in the current year.

As at 31 December 2021, the value of these non-current assets was £553 million (2020: £537 million).

Committee's response

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 analysis. Following its review, the Committee concurred with management's judgement that no indicators of impairment existed at the balance sheet date and, as such, no detailed impairment testing was required.

In addition, the Committee carefully considered management's assessments of impairment reversals proposed in the current year, the related investment decisions and the disclosure included within the Group's financial statements.

The Committee sought views from the External Auditor regarding management's process for recognition of impairment reversals and the conclusions reached by management.

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.

Exceptional items*

Matter considered
The Group presents as exceptional items* on the face of the income statement those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to further understand elements of financial performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance, and in determination of Directors' variable remuneration.

During the prior year, management clarified the Group's accounting policy on exceptional items* in response to the COVID-19 pandemic and regulatory guidance issued.

Details of exceptional items* are set out in Note 5 to the financial statements.

Additionally, the Group financial statements present a number of alternative performance measures (APMs) within its published financial information, including the 2021 Annual Report, with the objective of providing readers with further understanding of financial performance in the period, in order to facilitate comparison between periods and to assess trends in financial performance. Definitions of APMs used are set out in Note 3 to the financial statements.

Committee's response
In light of the guidance issued by the European Securities and Markets Authority and more recently the UK's Financial Reporting Council, the Committee continues to assess management's rationale for including an item as an exceptional item* and the wider use of APMs.

Regarding the Group's accounting policy in relation to exceptional items*, the Committee assessed the categories of items management proposed for inclusion as exceptional items* and considered their appropriateness in light of the prior year policy clarification and the regulatory guidance issued. Additionally, the Committee sought views from the External Auditor as to the appropriateness of items categorised by management as exceptional. Upon conclusion of this review, the Committee concurred with management's analysis of proposed exceptional items*.

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.

Going Concern and Viability Statements
On behalf of the Board, the Committee reviewed the Going Concern and Viability Statements prepared by management, together with the supporting documentation and sensitivity analyses. Details of the review process and the conclusion reached are set out on pages 72 and 73. Following its review, the Committee recommended the approval of both statements to the Board.

Fair, balanced and understandable
It is the Board's responsibility to determine whether the 2021 Annual Report and Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2021 Annual Report, reviewed management's analysis of the 2021 Annual Report and how this met the objectives of providing fair, balanced and understandable disclosures that provided the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee took into account the following when completing this process:

- input from the CEO and CFO on the overall messages and tone of the Annual Report;
- that individual sections of the Annual Report were drafted by appropriate senior management with regular review to ensure consistency across the entire document;
- that detailed reviews of appropriate draft sections of the Annual Report were undertaken by the Executive Directors;
- that an advanced draft of the Annual Report was reviewed by the Committee and the auditors on a timely basis to allow sufficient; consideration and was discussed with the CFO and senior management prior to consideration by the Board; and
- the results of an independent review by an external corporate reporting consultant.

After consideration the Committee arrived at the decision to recommend that the 2021 Annual Report be approved by the Board as fair, balanced and understandable. The Board statement on a fair, balanced and understandable Annual Report is set out on page 77.

External audit relationship
- Reviewed and concurred with Deloitte LLP's (Deloitte) plans for their review of the 2021 Half-Year statement and audit of the 2021 financial results.
- Reviewed and considered the reports presented by Deloitte to the Committee following the Half-Year review and Full-Year audit.
- Reviewed the performance of the External Auditor and the effectiveness of the external audit process.
- Discussed and approved the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the External Auditor, taking into consideration relevant professional and regulatory standards.
- Discussed and approved the Directors' Letter of Representation provided to Deloitte.
- Reviewed and approved the policy for the employment of former employees of the External Auditor, without amendment, confirming with management that no such employees had been appointed during 2021.
- Held planned meetings with Deloitte, following Committee meetings, without management present, on two occasions. No material issues were brought to the Committee's attention at those meetings.
- Recommended to the Board that a shareholder resolution should be proposed for the reappointment of Deloitte.
- Discussed and approved the appointment of a replacement for Jonathan Dodworth, audit engagement partner, who would be rotating off the Ibstock audit following the conclusion of the 2021 full-year audit.
- Considered the adequacy of the Group's procedures with regard to the objectivity and independence of the External Auditor. The Committee formed the opinion that Deloitte had demonstrated their independence and objectivity.

Review of Internal Audit activities

- Reviewed reports presented by RSM on Internal Audit assignments that had been completed during the year and discussed the results and agreed actions arising from RSM's recommendations.
- The Committee reviewed, and were satisfied with, management's responsiveness to RSM's findings and recommendations.
- Agreed a plan of work for the 2022 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 2022 work programme was appropriate.
- The Committee met with RSM, without management present, on two occasions. No material issues were brought to the Committee's attention at those meetings.

Oversight of risk and internal control

- Reviewed principal business risks, risk management processes and internal controls. Further information can be found in the Principal Risks and Uncertainties section on page 52.
- Received a report from the CFO on the internal controls operating in the business and any associated action plans.
- Reviewed fraud risks (including the results of a fraud risk assessment), the Code of Business Conduct and Whistleblowing Policy. The review did not identify any material matters of interest.
- Considered the appropriateness of the Group's Viability Statement at the Full-Year, and Going Concern Statement assumptions at the Half-Year and Full-Year, including a review of the sensitivity analysis and scenarios prepared by management. The Viability Statement and the Going Concern Statement are set out on pages 72 and 73.

External and Internal Audit

External Auditor

Following a competitive tender process conducted in 2016, Deloitte was appointed as auditor, and Jonathan Dodworth became the lead audit partner, for the financial year commencing 1 January 2017. The Committee received formal confirmation from Deloitte itself that the audit engagement team, and others in the firm as appropriate, and, where applicable, all Deloitte network firms were and remained independent of the Group. 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.

Having now been audit partner for five years since the original appointment, Jonathan Dodworth will hand over to Lee Highton following completion of the audit for the year ended 31 December 2021. Mr Highton met with members of the Board and the Committee as well as with a number of senior members of the Group's finance function prior to his appointment. In addition there has been a number of discussions during the year to ensure that an appropriate transfer of knowledge and information has been completed so that the transition in 2022 will be executed in a smooth and efficient fashion.

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

Effectiveness of the External Auditor

The Committee has the responsibility for overseeing the Group's relationship with the External Auditor and advises the Board on their appointment/reappointment, their effectiveness, independence and objectivity, and discusses the nature and results of the audit with the External Auditor.

The review of the FY 2021 external audit process included consideration of the following:

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

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

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

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

Auditor independence and non-audit services

The non-audit services policy (Policy) sets out clearly the non-audit services that may be provided by the External Auditor. Under the Policy, prior approval is required by the Committee for any non-statutory assignments where the fee would exceed £10,000, or where such an assignment would take the cumulative total of non-audit fees paid to the External Auditor over 70% of that year's statutory audit fees. However, when appropriate, a detailed calculation will be performed to ensure that the Group is compliant with the European Union's Statutory Audit Framework. This Policy is reviewed on an annual basis and was adopted without amendment in December 2021. The External Auditor is responsible for the annual audit of the Group's subsidiaries and other services which the Committee believe it is best placed to provide.

Details of the amounts paid to the External Auditor are set out in Note 6 to the Group consolidated financial statements. The ratio of audit fees to non-audit fees was 1:8.

The Committee considers that the External Auditor continues to be independent. 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 on 21 April 2022.

Internal Audit

The provision of Internal Audit services is outsourced to RSM and the Internal Audit programme for the subsequent year is approved by the Committee in December each year. This contains a schedule of reviews to audit a range of processes and controls throughout the year covering each component of the Group. Updates on the status of audits against the annual Internal Audit plan are provided to the Committee by RSM on a regular basis. These set out any control weaknesses identified as well as management's actions to address control recommendations.

RSM also provide the Committee with support and advice concerning the Group's assurance framework more generally and during the year provided advice and assistance with the full-year risk management process.

Further information regarding the scope of this work and its outcomes can be found in the Risk Management section on page 52.

Risk management and internal control

The Committee supports the Board in monitoring Ibstock's exposure to risk and is responsible for reviewing the effectiveness of its risk management and internal control systems and assisting in the assessment of the Group's principal risks and uncertainties. The key elements that comprise the Group's internal control framework include a clear management structure with appropriate authorities, robust financial controls, an appropriate enterprise risk management system, an internal audit function and appropriate policies and procedures.

Review of Effectiveness

The Committee completes a bi-annual review in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Following a review by senior management in the operating business and the Executive Leadership Team, the Committee considers papers on internal control and risk management presented by the CFO and Group Company Secretary respectively and provides challenge on management's conclusions and assertions as appropriate.

The outcomes of this review included a number of recommendations with regard to Ibstock's approach to risk management that have been included along with those other areas of focus identified as a set of 2022 priorities, further details of which can be found on page 52.

RSM completed its review of the Group's internal financial controls in 2021 and presented their final report to the Committee at the December meeting. No significant failings in the Group's internal controls were identified although a number of next steps were identified which management are now in the process of addressing.

Assessment of Principal Risks

The Committee also considered the principal risks and uncertainties and their associated mitigation prepared by management in advance of their submission to the Board. This formed a key component of the Board's robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Group's principal risks are set out on pages 54 to 61.

Compliance and whistleblowing

On behalf of the Board, the Committee reviews the operation of the Group's procedures that are in place for the detection of 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. It also receives updates on the operation of the Company's confidential whistleblowing arrangements including those material incidents raised through the whistleblowing line since that last meeting. Whilst the Board considers a half-yearly summary of all incidents raised through the whistleblowing line, further details of which can be found on page 82.

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

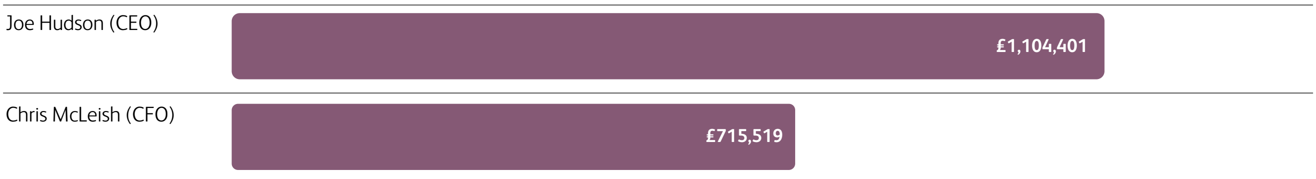
The effectiveness of the Committee was reviewed by both the Board and the Committee, in compliance with the Code. The evaluation in respect of the 2021 financial year was conducted internally and facilitated by the Chairman with the assistance of the Group Company Secretary. A report on the outcome of the evaluation of the Board and Committee's effectiveness was presented to the Board. Further information regarding the evaluation process and outcomes can be found in the Corporate Governance Report on page 85. The conclusion drawn from the review was that the Committee continues to operate effectively.

Justin Read
Chair of the Audit Committee
8 March 2022

Remuneration at a glance

Single figure remuneration for our Executive Directors

The single total figure of remuneration table for the Executive Directors and Non-Executive Directors is set out on page 115.



Annual & Deferred Bonus Plan (ADBP) FY 2021 outcome

- Our 2021 ADBP outcomes outlined below reflect the performance targets and measures put in place during the 2021 financial year. The financial objectives include KPIs and details can be found on page 28.

	Adjusted EBITDA FY* (20%)	Adjusted EBITDA H1* (10%)	Adjusted EBITDA H2* (10%)	Adjusted operating cash flow* (30%)	Non-financial objectives (30%)	2021 Annual bonus outcome (% of maximum)
Joe Hudson (CEO)	£103.1m	£54.8m	£48.3m	£80.6m	26.8%	95.5%
Chris McLeish (CFO)	£103.1m	£54.8m	£48.3m	£80.6m	26.8%	95.5%

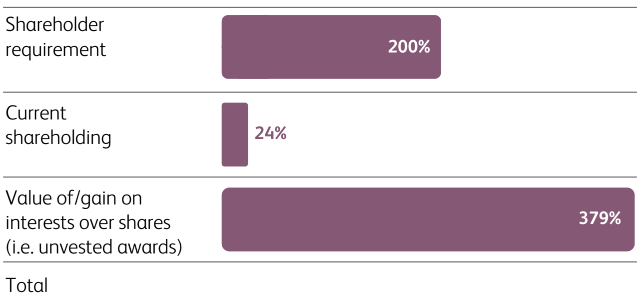
2018 LTIP outcome

Measure	Weighting (%)	Threshold (%)	Maximum (%)	Actual (%)	Vesting (% of maximum)
Relative TSR	50	11.4	52.1	-10.5	0%
Adjusted EPS* growth	50	6%	16%	0%	0%

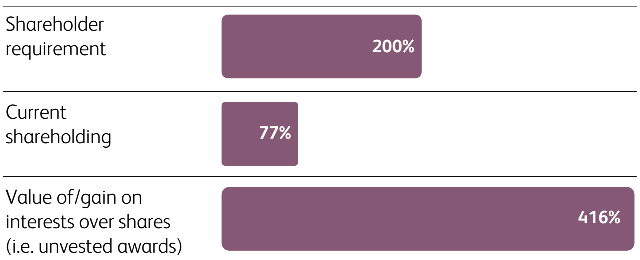
The three-year performance period for the awards granted in 2018 expired on 9 April 2021. The Committee determined that no awards would vest due to a failure to meet any of the performance conditions.

Share ownership

Joe Hudson (CEO)
(% of salary)



Chris McLeish (CFO)
(% of salary)



The number of shares of the Company in which Directors had a beneficial interest as at 31 December 2021 is set out in detail on page 118.

Annual Statement

Tracey Graham
Chair of the Remuneration Committee

As the Chair of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 December 2021. The report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the Code and the Listing Rules. The report consists of three sections:

- This Annual Statement (pages 98 to 100);
- The proposed new Remuneration Policy on (pages 101 to 111); 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 2021 financial year (pages 112 to 121).

UK law requires listed companies to seek shareholder approval for the renewal of their Directors' Remuneration Policy (Policy) at least every three years. As our policy was last approved by shareholders at our 2019 AGM, we will be submitting an updated policy to shareholders at our 2022 AGM. The Policy is set out on pages 101 to 111. This Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the same meeting.

Business performance in FY 2021

Ibstock has delivered a good performance this year with strong demand across all key markets, and good operational execution across the Group supporting a significantly improved result in 2021. The results are particularly positive in light of the supply chain challenges across the industry during the second half of the year. The Group's trading performance, showed material year-on-year improvement in all of our key financial metrics as set out below:

- Revenue of £409 million, an increase of 29% on 2020 and in line with the pre-COVID performance reported in 2019
- Adjusted EBITDA* of £103 million (2020: £52 million, 2019: £122 million). Ahead of our previous expectations, driven by outperformance in our Clay division
- Balance sheet strength enhanced with excellent free cash flow performance; net debt to adjusted EBITDA* of 0.4 times (2020: 1.5 times) below the bottom of our 0.5 to 1.5 target range, and liquidity headroom increased to £186 million (2020: £145 million)
- Adjusted earnings per share grew by 9.9 pence to 13.9 pence (2020: 4.0 pence) reflecting the strong earnings momentum of the business
- Strong cash flow performance strengthened the balance sheet with net debt reducing by £30 million to £39 million.

The year has seen commitments to major capital investments in both the core and the new Ibstock Futures business which create exciting opportunities for growth in the medium term.

In addition our continuing work on environmental sustainability and social progress represents a strong unifying cause for everyone at Ibstock with ambitious new commitments, including a target for the business to be net zero carbon by 2040, announced at the end of last year.

Further details can be found in the CEO review (from page 8), Key Performance Indicators (page 28), the Responsible Business section on page 30 and in the Financial Review on page 64.

Remuneration Outcomes in FY 2021

At all times the Committee has carefully balanced the interests of all stakeholders as well as the wider business and societal context in making these decisions. Further details on our stakeholders can be found on page 40.

In line with our remuneration philosophy, incentive outcomes are largely driven by corporate performance and shareholder value creation. The annual bonus for our Executive Directors, which is based 70% on the Group's financial performance and 30% on non-financial objectives, paid out at 95.5% of maximum opportunity. Further details of the annual bonus targets for the year and performance against those targets are provided on page 116. The Committee was comfortable that the annual bonus outcomes reflected the strong corporate performance delivered in 2021.

Awards granted in 2018 under the LTIP vested during the year. As neither of the two performance conditions were met the awards vested at a nil value and were not released. Full details are provided on page 117.

The Committee carefully considered the formulaic outcomes under the annual bonus and the LTIP and was satisfied that, taken together, there was no basis for operating discretion (either upwards or downwards) in respect of these outcomes. As such the payment of bonuses was felt to be appropriate and the 2019 LTIP is expected to lapse without value.

The Executive Directors were granted awards under the LTIP in March 2021 equivalent to 150% of base salary. Full details of these awards can be found on page 117.

We also welcomed a new non-Executive Director to the Board at the end of the year. Details of Peju Adebajo's remuneration arrangements are set out on page 115 and are consistent with the terms of the current remuneration policy.

Directors' Remuneration Policy – 2022

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. Further details of how our incentives and their measures align to the Company's key strategic priorities can be found on page 101.

The current remuneration policy was approved by shareholders at our 2019 AGM and received strong support of 99.7% votes in favour, whilst our annual report on remuneration has received an average level of support of over 99% since our Initial Public Offering in October 2015. In 2021 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, remained broadly fit for purpose for the next three years. Therefore, the new Policy we are proposing will operate similarly albeit with the following proposed changes:

- **Post-cessation shareholding requirement (PCSR):** The Committee intends to extend the current approach such that departing Executive Directors are required to hold the lower of their actual shareholding or 100% of their MSR (Minimum Shareholding Requirement) for 24 months from the date of leaving. The current PCSR requires Executives to hold 100% of their MSR for 12 months but reducing down to 50% for the next 12 months.
- **Pension:** The CFO's pension contribution is already aligned with the rate offered to the wider workforce (10% of salary). Currently the CEO receives a pension benefit of 20% of salary, however, the Committee agreed in 2020 to reduce this to 10% of salary by the end of 2022 to ensure alignment.

Full details of the proposed Policy are set out on pages 101 to 111.

The year ahead

Given that the CEO and the CFO have now been in role for more than three and half and two years respectively, the Committee conducted a detailed review of their remuneration during the last quarter of 2021. This considered a number of different factors including their individual growth, their experience and strong performance in their respective roles; the need to ensure continued retention and motivation at a critical time for the business, the need to ensure greater alignment between management and shareholders through increased share ownership; the desire for simplicity; and the strong and effective leadership demonstrated during the COVID-19 pandemic.

Following completion of this review the Committee consulted with the Company's largest 20 shareholders in order to seek their views on the Committee's proposed approach to executive remuneration including the use of long-term incentive awards and one off restricted share awards for the Executive Directors.

Having considered all shareholder feedback from the consultation the Committee determined that the Executive Directors should receive an increase of 9.0% to their base salary with effect from 1 April 2022. This reflected the fact that upon appointment, both Executive Director's recruitment packages had been set at the lower end of the market to reflect their experience at the time of appointment and that this level of adjustment was appropriate in the circumstances. This approach to Executive Director salaries was viewed positively by those shareholders consulted and the change to base salary will position the CEO around the lower quartile and the CFO between the lower quartile and median of the Company's sector peer group, which is the Company's primary peer group comprised of companies in the same industry as Ibstock and of a similar size. The proposed increases will still only position both Executive Directors around the lower quartile relative to the Company's secondary peer group, which is a general size comparator group based on those companies that are of a similar market capitalisation to Ibstock (excluding financial services and technology companies and real estate investment trusts). There were no salary increases proposed for the CEO and the CFO in the 2021 financial year.

The Committee also decided to make an exceptional long-term incentive award of 200% of base salary to the executive directors in 2022. The Committee feels that this award under the existing LTIP is appropriate and will provide a link to the delivery of the Company's ambitious growth strategy and the value to shareholders upon its successful delivery. This approach was supported by major shareholders and is within the existing approved policy in contrast to a number of alternatives that were also considered. The performance conditions for this proposed award will include Relative Total Shareholder Return (TSR), Adjusted Earnings Per Share (EPS*), Return On Capital Employed (ROCE*) and a new combined ESG measure which will comprise targets that are aligned to the new strategy including carbon reduction, diversity and new product development. The Committee also decided to increase the weighting applied to this ESG performance measure to 20% (from 10%) to reflect the increasing importance of the delivery of our new ESG strategy, and Ibstock's ambition to be a net zero business by 2040. The 2022 grant of long-term incentives is intended to be made in April 2022, after the publication of this report.

We intend the bonus scheme for 2022 to operate in a similar way as for the prior year using the same performance measures and weightings. For more details see page 104. The maximum opportunity for the 2022 bonus will remain at 125% of salary but with mandatory deferral of a third of any bonus earned into deferred shares for three years. We will continue to set challenging performance targets, whilst retaining discretion to allow the Committee to ensure the final outcome is appropriate to the overall performance delivered. Details of the targets for the awards to be made in 2022 can be found on page 104.

During 2022 the Committee will again review workforce remuneration and related policies to ensure that there continues to be consistency and alignment with the approach taken for Executive Directors. The Committee is kept informed of pay practices across the Group and spends a considerable amount of time reviewing incentive structures, pension arrangements and other matters for senior management below Board level and employees more broadly. We are committed to ensuring that Ibstock operates remuneration practices at all levels that are fair and appropriate.

Throughout the year there has been significant engagement and a number of initiatives to support diversity and inclusion within the business. Full details of workforce engagement can be found in the Responsible Business section on page 38.

The Committee's activities during the year are described in more detail later in this report.

Shareholder engagement

The Board regularly engages 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. I would like to take this opportunity to thank shareholders for their engagement with our remuneration consultation process this year. If you would like to discuss any aspect of our remuneration strategy, I would welcome your views. I look forward to receiving your support at our 2022 AGM, where I will be available to respond to any questions shareholders may have on this report or in relation to any of the Committee activities. In the meantime, if you would like to discuss any aspect of our Remuneration Policy, please feel free to contact me through the Company Secretary, Nick Giles (telephone: +44 (0)1530 261999 or email: company.secretariat@Ibstock.co.uk)

Tracey Graham
Chair of the Remuneration Committee
8 March 2022

Alignment of Policy with requirements under the UK Corporate Governance Code

As indicated in the compliance statement on page 77, the Board believes that Ibstock has applied the principles of the UK Corporate Governance Code (the Code) and complied with its relevant provisions during FY2021, with one exception. As noted on page 77 , the Committee will align the pension contribution rate for the CEO to that of the wider workforce at the end of December 2022.

The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

Clarity	Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• We proactively consult our shareholders on any changes to the Remuneration Policy and seek their views. • We regularly engage with the workforce and seek to bring employee voice in the Boardroom. • We always seek to improve the quality of disclosure in our DRR and conduct an annual review of disclosure provided to add relevant information to increase transparency.
Simplicity	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• The structure of the ADBP and LTIP are in line with standard UK market practice and hence should be familiar to all stakeholders. • Performance metrics are chosen to focus on the key operational and financial performance objectives of the business.
Risk	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy helps mitigate risks as follows: The Committee has discretion to override formulaic outcomes in instances where payouts do not accurately reflect the overall performance of the business. • Malus and clawback in incentive plan rules provide flexibility to prevent excessive payouts in exceptional circumstances. • Post-vesting holding periods and shareholding requirements encourage focus on sustainable performance over the long term. • Incentive performance metrics are aligned with the Company's strategy. • Maximum award limits are set within the Policy.
Predictability	The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	• The Policy sets out potential levels of vesting available for varying degrees of performance (threshold, on-target and maximum) and calculation methodology. • The DRR illustrates graphically the potential levels of remuneration received by Executive Directors under various performance scenarios.
Proportionality	The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	• The ADBP and LTIP reward Executive Directors for delivering the Company's strategy. • The use of deferral and multi-year performance periods ensure Executive Directors are focused on long-term sustainable performance. • The Committee's discretion to adjust outcomes prevents Executive Directors from being rewarded for poor underlying business performance.
Alignment to culture	Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	• Alignment of our incentives structure to strategy is illustrated on page 101. Strategic priorities are supported by the Company's culture. • In addition, the Board believes that our remuneration structure is structured to drive the right culture and performance and is aligned with the Company's values.

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 21 April 2022, 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 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	**Sustain** Sustainable high performance is at the heart of what we do. We are focused on three priorities: health and safety; operational excellence; and environmental performance.	**Innovate** Strengthening our market-leading position. Our initiatives are centred on three specific areas: product innovation; customer experience; and digital transformation.	**Grow** Clear path for growth and value creation – combining expansion in our core business, alongside diversified growth.	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 shares) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	Non-financial measures target customer satisfaction and Health and Safety in the workplace and therefore support this objective.	**Adjusted EBITDA*, Adjusted operating cash flow*** The efficient development of innovative products measured through adjusted EBITDA* will be reflected in increased profitability and adjusted operating cash flow*.	**Adjusted EBITDA*, Adjusted operating cash flow*** The success in maximising operational excellence will be reflected through increased profitability and cash flow.	✓	✓
LTIP Maximum annual award is normally 150% of salary. Awards will vest at the end of three years with a further two-year holding period. For 2022, the performance conditions for awards are: • Comparative Total Shareholder Return (TSR) (30%); • Adjusted Earnings per Share* (EPS) growth (25%)*; • Return on Capital Employed* (ROCE) (25%); and • ESG (20%)	**ESG** Achievement of the Group's key targets contained in its new ESG strategy. This will help contribute to our objectives of being the sector leader in sustainability matters.	**ROCE*, TSR** The generation of cash and profit growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators and strong ROCE*.	**ROCE*, Adjusted EPS*, TSR** The success in maximising operational excellence will be measured through the long-term adjusted EPS* growth targeted by the LTIP and sustained strong ROCE*. In addition, sustained value generation will be reflected in the shareholder returns of the Company which will be measured through the Company's TSR performance under the LTIP.	✓	✓
Sharesave Plan (Sharesave)	Encourages employee participation in our success and encourages retention.			✓	✓
Minimum shareholding requirements 200% of salary.	Creates alignment with our shareholders.			✓	✓

Remuneration Policy Table

The 2022 revised Remuneration Policy that will be put to a vote at the AGM on 21 April 2022 is outlined below.

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
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.	None	None

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
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.	None	None
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 pension or salary supplement 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.	None	Our previous policy stated that new executive directors would receive 10% contributions into a pension scheme. The CEO's pension allowance will reduce to 10% from 1 January 2023.

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
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 business's strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable. Part of the ADBP is deferred into shares. 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.	None

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
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.	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.	The normal maximum value is set at 150% of salary per annum 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. 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 2022 LTIP awards are adjusted EPS* growth, comparative TSR, ROCE* and ESG. 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 comparatively sized construction and building materials sector companies The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate.	None
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.	None

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
Sharesave	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.	Maximum opportunity for awards and purchases are kept in line with HMRC limits.	The Company, in accordance with the legislation, may impose objective conditions on participation in the plans for employees.	None
Minimum shareholding requirement (MSR)	Executive Directors are expected to build up over a five-year period and then subsequently hold a shareholding equivalent to 200% of base salary. This will include deferred shares at their net-of-tax value and shares subject to a holding period at their full value. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. In addition, a post-cessation minimum shareholding requirement will apply to Executive Directors who leave the Company. Leavers will have a requirement to hold 200% of their pre-cessation shareholding requirement for two years from leaving.				
Changes from previous Policy	**Post-cessation shareholding requirement (PCSR)**: The Committee intends to extend the current approach such that departing Executive Directors are required to hold the lower of their actual shareholding or 100% of their MSR for 24 months from the date of leaving. The current PCSR requires Executives to hold 100% of their MSR for 12 months but this reduces down to 50% for the next 12 months.				

Remuneration Policy for Non-Executive Directors

Element of remuneration	Link to strategic objectives	Operation	Maximum opportunity	Performance metrics	Changes from previous policy
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 on appointment as Senior Independent Director or as Chair of Board 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	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 101) 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 divisional performance.
All employees are encouraged to participate in the all employee share plans operated by the Company, ensuring a consistent reward framework.
Detailed description of the cascade of incentives is presented on page 113.

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 which 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

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 Policy and any 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 Policy table. 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.
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[1] reason	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 Committee's normal policy is that it will pro-rate bonus for time. It is the 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 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 Committee's normal policy is that it will not pro-rate awards for time. The 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 Committee's normal policy is that it will pro-rate awards for time. It is the 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.		

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

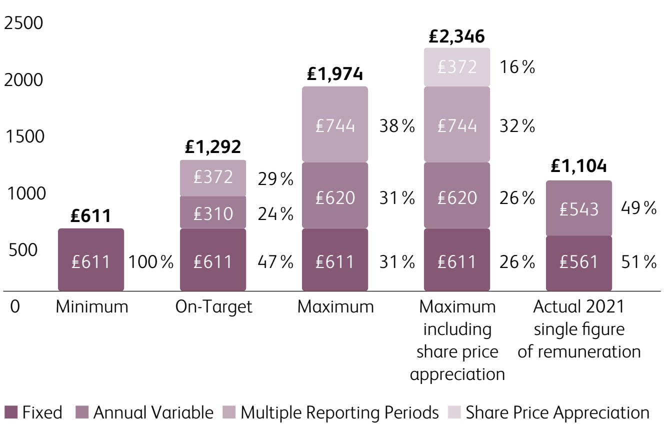
The Committee's policy on the vesting of incentives on a change of control is summarised below:

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.

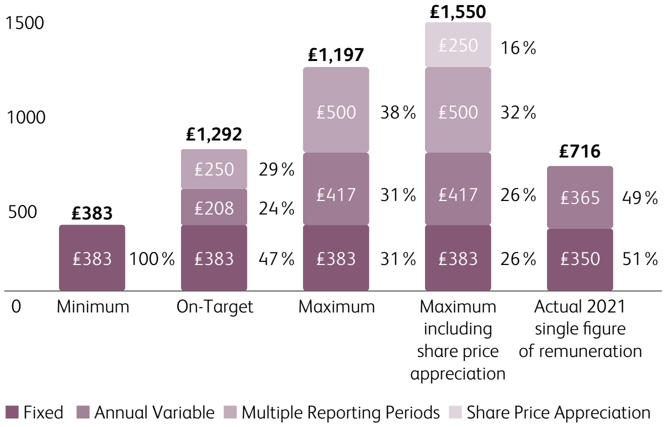
Illustrations of the application of the Remuneration Policy

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 2022 financial year, under four different performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum including the impact of a 50% increase in share price on the LTIP outcome. In addition, the chart shows the actual single figure of remuneration paid in respect of 2021.

Joe Hudson (CEO)
£'000



Chris McLeish (CFO)
£'000



Element	Minimum	On-target	Maximum	Maximum including share price appreciation
Fixed (salary[1], benefits and pension[2])	Included	Included	Included	Included
Annual bonus (125% of salary)	Not included	50% of maximum	100% of maximum	100% of maximum
LTIP (150% of salary)[3]	Not included	50% of maximum	100% of maximum	100% of maximum
Share price gain (50% over 3 years)	Not included	Not included	Not included	50% of the maximum LTIP value

1 Salary is Full-Year 2022 base salary following the increase approved by the Remuneration Committee in March 2022. This increase is effective from 1 April 2022.
2 Based on 2021 benefits payments and pension values as per the 2019 Policy.
3 An exceptional grant of 200% of base salary will be awarded to both Executive Directors in 2022 following the completion of the consultation exercise with Ibstock's top 20 shareholders.

Statement of considerations of employment conditions elsewhere in the Company

The 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 ADBP and the LTIP 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 a Sharesave and a Share incentive Plan. 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 from page 112.

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 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 113 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 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 Policy.

Following the Company's review of policy during Q4 of 2021, we are pleased to be able to report that the major shareholders consulted and 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.

Annual Report on Remuneration

Membership meetings and attendance of the Committee

Membership comprises the Group's Chairman and the independent Non-Executive Directors with support from the Group's Company Secretary. Details of meeting attendance can be found on page 80. The Committee also receives assistance from the Group HR Director who attends meetings by invitation, except when issues relating to her own remuneration are being discussed. The CEO and CFO attend by invitation on occasions.

Role and responsibilities

The Board has delegated to the Committee, under agreed terms of reference, responsibility for the Policy and for determining specific packages for the Executive Directors and members of the ELT. The Company consults with key shareholders in respect of the Policy and the introduction of new incentive arrangements. The annual review of the terms of reference was conducted at the December meeting and these are available on the Company's website.

Our main responsibilities are:

- To determine and agree with the Board the Policy for the Executive Directors and the ELT, including the Group Company Secretary;
- To review the ongoing appropriateness and relevance of the Policy, taking into consideration the UK Corporate Governance Code 2018 (the Code) and associated guidance;
- To ensure that the Policy drives behaviours consistent with Company purpose, values and strategy;
- To ensure that the Policy promotes effective engagement with shareholders and the workforce;
- To ensure remuneration structures and their operation are simple and easy to understand;
- To ensure that remuneration arrangements prevent excessive rewards and do not reward poor performance;
- To review wider workforce remuneration and related policies;
- To review and approve the gender pay gap report on an annual basis;
- To engage with the workforce regarding the 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.

On the following pages we provide a detailed description of the 2021 Executive Directors' pay outcomes and supporting information.

Company remuneration at Ibstock

Fairness, diversity and wider workforce considerations

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

As part of our commitment to fairness and in line with the evolving reporting regulations, for the fifth year we have included this section into our Annual Report on Remuneration 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 the senior executives, senior management and other managers and employees for which it recommends and monitors the level and structure of remuneration.

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

Area	Considerations
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
Sharesave	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	✓	✓	✓	✓

			Objectives			
Plan	Purpose	Eligibility	Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention)	Share ownership
Share Option Plan/SMSP	Broaden share ownership, alignment, retention, long-term performance	Senior executives and senior management			✓	✓
LTIP	Incentivise and reward long-term performance	Executive Directors and senior executives	✓		✓	✓

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

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

Area	Considerations
Pay comparisons	**CEO pay ratio**

Year	Method	Median ratio	Lower Quartile ratio	Upper Quartile ratio
2018	Option A	30:1	24:1	19:1
2019	Option A	43:1	35:1	23:1
2020	Option A	21:1	16:1	13:1
2021	Option A	41:1	30:1	25:1

In line with the remuneration reporting regulations, we report the ratio of CEO single figure pay to the pay of our employees for the third year in 2021. As in 2020, we have calculated the ratios set out above using Option A, as described in the Directors' Remuneration Reporting Regulations, as we believe that this reflects the most comprehensive approach.

The ratios were determined as at 31 December 2021.

CEO pay in the last seven years

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

	Wayne Sheppard[2]				**Joe Hudson**[3]			
Year	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Single figure remuneration	773	789	906	184	**592**	**737**	**540**	**1.104**
% of maximum annual bonus earned	100%	33%	58%	32.5%	**32.5%**	**33.1%**	**0.0%**	**95.5%**
% of maximum LTIP awards vesting[1]	N/A	N/A	N/A	N/A	**N/A**	**N/A**	**0%**	**0%**

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

Percentage change in CEO's remuneration

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2020 and 2021 compares with the percentage change in the average of each of those components of pay for the employees.

	Salary			Taxable benefits			Bonus		
Year	2020 £'000	2021 £'000	Percentage change	2020 £'000	2021 £'000	Percentage change	2020 £'000	2021 £'000	Percentage change
CEO[1]	432	455	5.3%	17	16	(5.4)%	0	543	N/A
Average per eligible employee[2]	37	39	3.9%	7	7	3.8%	0	22	N/A

1 The CEO's remuneration disclosed in the table above has been calculated to take into account base salary and taxable benefits excluding pension and annual bonus (including any amount deferred).
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 fifth disclosure of the pay gap is based on amounts paid in the year to 5 April 2021. The bonus gap is based on incentives paid in respect of the year to 5 April 2021. 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 7% which is lower than the UK average of 15.5%. We continue to work hard to encourage more females into the business. Our current employee population reflects the traditional nature of the industry, with 85% of roles being occupied by men, including a high percentage of males employed in factory based production roles. This can clearly be seen in the quartiles set out below, which show the number of male and female employees in each pay quartile:

Quartile A (lowest)	1 Male: 70% 2 Female: 30%	Quartile B	1 Male: 89% 2 Female: 11%
Quartile C	1 Male: 92% 2 Female: 8%	Quartile D (highest)	1 Male: 88% 2 Female: 12%

Note: The figures quoted above are for Ibstock Brick Limited, a subsidiary of Ibstock plc, only.

Area	Considerations
Diversity policy	We believe the diversity of our people strengthens our judgement, independence and decision-making. We also know that attracting a more diverse workforce widens our pool of talent which is key for our succession planning and sustainable growth. Our commitment is backed by our Diversity and Inclusion Policy and will be supported during the coming year by the commitment to appoint a senior sponsor in the business for diversity and inclusion.

Informing the Committee on the wider workforce

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

Workforce engagement

The Group operate an employee forum called The Listening Post. Under the initiative the CEO and one of the Non-Executive Directors, together with certain members of the ELT, meets regularly during the year with nominated employee champions elected from all parts of the business to discuss the Group, how it is performing and to identify potential areas for improvement. During the year feedback from our employees through The Listening Post and through surveys has included topics including remuneration. Further information can be found in the Responsible Business section on page 39.

Remuneration justification

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

Application of the Policy in FY 2021

Single total figure of remuneration (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the financial year to 31 December 2021.

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).

	Year	Fixed remuneration				Variable remuneration				
Executive Directors		Salary/Fees	Taxable benefits[1]	Pension	Sub-total	ADBP	Other	LTIP	Sub- total	Total
Joe Hudson (CEO)	**2021**	**£454,793**	**£15,627**	**£90,959**	**£561,379**	**£543,023**	**–**	**–**	**£543,023**	**£1,104,401**
	2020	£432,053	£16,513	£90,959	£539,524	–	–	–	–	£539,524
Chris McLeish (CFO)	**2021**	**£306,000**	**£15,817**	**£28,338**	**£350,157**	**£365,364**	**–**	**–**	**£365,364**	**£715,519**
	2020	£290,700	£15,505	£30,600	£336,805	–	–	–	–	£336,805
Kate Tinsley	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2020	£151,597	£7,241	£10, 813	£169,651	–	–	–	–	£169,651
Non-Executive Directors										
Jonathan Nicholls	**2021**	**£182,963**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£182,963**
	2020	£173,814	–	–	–	–	–	–	–	£173,814
Tracey Graham	**2021**	**£72,525**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£72,525**
	2020	£71,493	–	–	–	–	–	–	–	£71,493
Justin Read	**2021**	**£62,730**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£62,730**
	2020	£59,594	–	–	–	–	–	–	–	£59,594
Louis Eperjesi	**2021**	**£52,275**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£52,275**
	2020	£49,106	–	–	–	–	–	–	–	£49,106
Claire Hawkings[2]	**2021**	**£59,424**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£59,424**
	2020	£49,661	–	–	–	–	–	–	–	£49,661
Peju Adebajo[3]	**2021**	**£4,959**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**£4,959**
	2020	–	–	–	–	–	–	–	–	–

1 Taxable benefits in the 2021 financial year comprised a company car allowance, private health cover and death in service cover. Joe Hudson and Chris McLeish were entitled to receive car allowances of £18,000 and £15,000 per annum, respectively. The actual amounts received for the 2021 financial year are shown as part of the total taxable benefits figure above.

2 Claire Hawkings was appointed as ESG Committee Chair in April 2021 and received an additional fee from this date.

3 Peju Adebajo joined the Board on 26 November 2021. Her remuneration is pro-rated to reflect this.

Pension entitlements (audited)

The Company's Defined Benefit Scheme was closed in 2017. Executive Directors receive a salary supplement in lieu of pension contributions with the CEO and CFO receiving contributions of 20% and 10% of base salary respectively. In order to ensure all executives' contributions are at the same level as the majority of the wider workforce, contributions payable to the CEO will reduce to 10% of base salary by the end of 2022.

ADBP (audited)

Details of the targets used to determine bonuses in respect of the 2021 financial year and the extent to which they were satisfied are shown in the table below. Following discussions at the Committee it was agreed that the weightings for each element of the ADBP would be amended so that adjusted EBITDA* and Adjusted Operating Cash Flow* would be worth 40% and 30% respectively. To address the continuing uncertainty as a result of the pandemic, the Committee split the target for adjusted EBITDA* between H1 and H2. Bonuses will be paid at 0% for each element which is payable for achieving the threshold performance, 50% for achieving target performance and 100% for achieving maximum performance. One-third of any bonus payable will be deferred for three years into Company shares subject to continued employment.

Performance condition	Weighting	Threshold performance required (£'m)	Maximum performance required (£'m)	Actual performance (£'m)	Percentage of maximum performance achieved	Bonus value achieved	
						Joe Hudson	Chris McLeish
Adjusted EBITDA*	20%	£91.0	£102.8	£103.1	100.0%	£113,368	£76,500
Adjusted EBITDA H1*	10%	£49.8	£56.2	£54.8	87.0%	£49,459	£33,278
Adjusted EBITDA H2*	10%	£41.3	£46.6	£48.3	100.0%	£56,849	£38,250
Adjusted operating cash flow*	30%	£53.0	£59.9	£80.6	100.0%	£170,547	£114,750
Non-financial objectives	30%	A summary of the personal objectives for 2021 are outlined below.			89.4%	£152,469	£102,587
Total	100%				95.5%	£543,023	£365,364

The personal objectives for the CEO and the CFO along with their associated outcomes can be found set out below.

Summary of personal objectives

CEO	Objective area	Progress against objectives	Assessment (% of maximum)
Joe Hudson	Delivery of Ibstock's in-year roadmap targets in health, safety and sustainability	Achieved	100%
	Execution of key performance measures to deliver budget and continuous improvements	Achieved	100%
	Progress actions from the strategic review on organic and M&A options	Mostly Achieved	82%
	Ensure Ibstock has an annual robust review process to build talent, succession and organisational effectiveness	Mostly Achieved	82%
	Progress new product development, innovation and service level improvements for our customers	Mostly achieved	82%

The Committee determined that overall performance equates to a 89.4% achievement for this element of the bonus (26.8% of 30% of maximum annual bonus opportunity).

CEO	Objective area	Progress against objectives	Assessment (% of maximum)
Chris McLeish	Deliver 2021 performance outcomes	Achieved	100%
	Develop and deliver refreshed equity story and ensure market expectations for 2021 are effectively managed	Achieved	100%
	Develop digital strategy alongside multi-year execution roadmap	Not achieved	36%
	Build Finance functional capability and impact	Achieved	100%
	Materially upgrade financial control environment	Achieved	100%
	Lead and develop the finance team so that a culture of high performance is created and individuals are motivated, engaged and able to realise their potential	Achieved	100%

The Committee determined that overall performance equates to a 89.4% achievement for this element of the bonus (26.8% of 30% 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.

LTIP (audited)

Awards granted in 2021

The table below sets out the details of the long-term incentive awards granted in the 2021 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	Award size (% of base salary)	Date of grant	Shares awarded	Face value on the date of grant[1]	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Joe Hudson (CEO)	LTIP	150%	25 March 2021	317,888	£680,280	25	100	Relative TSR, EPS*, ROCE* and Carbon Reduction
Chris McLeish (CFO)	LTIP	150%	25 March 2021	213,886	£457,716	25	100	Relative TSR, EPS*, ROCE* and Carbon Reduction

1 Share price by reference to which the awards were granted is £2.14 (closing share price on 24 March 2021).

Performance conditions[1]

Vesting of the 2021 awards will be subject to the achievement of a challenging sliding scale of adjusted EPS*, relative TSR against the FTSE 250 Construction and Building materials companies, ROCE* over a three-year performance period ending on 24 March 2024 and a reduction in the carbon intensity ratio with 25% of the award vesting for threshold performance; 100% of the award vesting for maximum performance, with straight line vesting between these points. The performance schedule for these measures is as follows:

Measure	Weighting	Threshold	Maximum
Relative TSR	40%	Median	Upper quartile
Adjusted EPS*	30%	16.0p	19.6p
ROCE*	20%	15.77% per annum	17.43% per annum
Carbon reduction (per tonne of finished production)	10%	0.152	0.142

1 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* will be measured over three consecutive financial years. ROCE* performance will be taken to be the average of each of the three years of the performance period. Carbon reduction is measured over the three years ending 31 December 2023 against a 2015 baseline. A two-year post-vesting holding period applies to 2021 LTIP awards.

Awards that vested in 2021

The three-year performance period for the awards granted on 9 April 2018 expired on 9 April 2021. The Committee reviewed the performance against the two performance conditions and determined an overall vesting level of 0%.

2018 LTIP vesting

Measure	Weighting (%)	Threshold (%)	Maximum (%)	Actual (%)	Vesting (% of maximum)
Relative TSR	50	11.4	52.1	-10.5	0
Adjusted EPS*	50	6%	16%	0%	Nil
Total	100	–	–	–	Nil

No awards that were granted under the LTIP in 2018 vested in 2021.

Payments of loss of office (audited)

There were no payments for loss of office during the period under review.

Payments to past Directors (audited)

Kevin Sims and Wayne Sheppard stepped down from their roles as CEO and CFO upon retirement on 4 April 2018 and 31 August 2019 respectively. Both remained as employees of the Company until 31 December 2018 and 31 December 2019 respectively. The leaving arrangements, which were fully disclosed in the 2018 and 2019 Annual Reports, included that any outstanding awards that were held under the Company's share plans were retained, but time apportioned up to 31 December 2018 and 31 December 2019 respectively.

During the period ending 31 December 2021, Wayne Sheppard and Kevin Sims 2018 LTIP vested but as explained above none of the performance conditions were met and so neither individual received any awards.

Kate Tinsley stepped down from her role as a Director on 24 July 2020. Under the terms of her departure from the Company she was entitled to receive those awards granted to her under a buyout arrangement that was granted to her on joining Ibstock on 2019. Having assessed the performance conditions for these awards the Committee confirmed that the level of vesting was nil.

Directors' share interests

Executive Directors' incentive awards at 31 December 2021

The following table shows details of those options held by the Directors under the Company's share plans as at 31 December 2021:

Joe Hudson	Date of Award	Interest at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	Exercised during the year	Interest at 31 December 2021	Market price on award date	Exercise/ option price	Expiry date
LTIP	2018	–	–	–	150,000	–	-	2.9000		
	2019	170,181	–	–	–	–	170,181	2.0351	Nil cost	03/05/29
	2020	357,167	–	–	–	–	357,167	1.9100	Nil cost	14/04/30
	2021	–	317,888	–	–	–	317,888	2.1460	Nil cost	25/03/31
ADBP	2019	28,942	–	–	–	–	28,942	2.0351	Nil cost	03/05/29
	2020	21,571	–	–	–	–	21,571	2.8500	Nil cost	14/04/30
Sharesave	2021	–	10,227	–	–	–	10,227	N/A	1.76	N/A

Chris McLeish	Date of Award	Interest at 1 January 2021	Awarded during the year	Vested during the year	Lapsed during the year	Exercised during the year	Interest at 31 December 2021	Market price on award date	Exercise/ option price	Expiry date
LTIP	2018	–	–	–	–	–	–	N/A	Nil cost	N/A
	2019	170,145	–	–	–	–	170,145	2.2000	Nil cost	12/08/29
	2020	240,314	–	–	–	–	240,314	1.9100	Nil cost	14/04/30
	2021	–	213,886	–	–	–	213,886	2.1460	Nil cost	25/03/31
ADBP	2019	–	–	–	–	–	–	N/A	Nil cost	N/A
	2020	5,829	–	–	–	–	5,829	2.8500	Nil cost	14/04/30
Sharesave	2021	–	10,227	–	–	–	10,227	N/A	1.76	N/A

Statement of Directors' shareholdings and share interests (audited)

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

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

			Shares held directly	Other interests held				
Directors	Shareholding requirement % salary	Current shareholding[1] % salary	Beneficially owned[2]	Interests subject to performance conditions	Interests not subject to performance conditions	Vested but unexercised interests[3]	Outstanding Sharesave awards	Shareholding requirement met
Joe Hudson	200%	27%	9,257	845,236	50,513	21,570	10,227	No
Chris McLeish	200%	38%	50,551	624,345	5,829	106,584	10,227	No
Jonathan Nicholls	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Tracey Graham	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Justin Read	N/A	N/A	17,500	N/A	N/A	N/A	N/A	N/A
Louis Eperjesi[4]	N/A	N/A	20,000	N/A	N/A	N/A	N/A	N/A
Claire Hawkings	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A
Peju Adebajo	N/A	N/A	10,000	N/A	N/A	N/A	N/A	N/A

1 As at 31 December 2021 (unless stated otherwise). This was based on a closing share price of £2.03 at 31 December 2021 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 All shares held through nominees.
3 This represents those shares that vested under the buyout award made to Joe Hudson and Chris McLeish in 2018 and 2019 respectively but that have not been exercised.
4 Note that the holding is legally held by Louis Eperjesi's spouse.

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

Fees retained for external Non-Executive Directorships

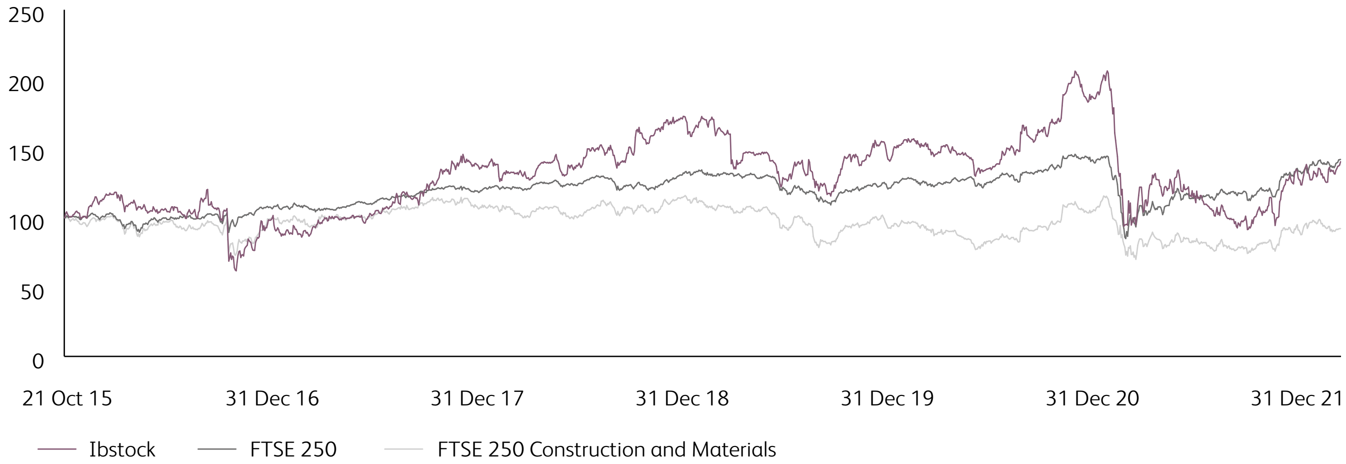
Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. The current Executive Directors do not hold any external directorships in other listed companies.

Comparison of overall performance and pay

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

Total Shareholder Return

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



Source: Thomson Reuters Datastream data as of 18 January 2022

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 2021. Additionally, the FTSE 250 Construction and Building materials comparator group is shown as it reflects the sector in which the Company operates.

Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the CEO over the period 26 February 2015 to 31 December 2021, valued using the methodology applied to the single total figure of remuneration. There is no relevant data before 2015.

	Wayne Sheppard[1]				Joe Hudson[2]			
Chief Executive Officer	2015	2016	2017	2018	2018	2019	2020	2021
Single total figure	£773,309	£788,685	£906,300	£183,640	£592,039	£737,287	£539,524	£1,104,401
Annual bonus payment level achieved (% of maximum opportunity)	100%	33%	58%	32.5%	32.5%	33.1%	0.0%	95.5%
LTIP vesting level achieved (% of maximum opportunity)	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%

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

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2021 and 2020 financial years. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2020 financial year £'m	Disbursements from profit in 2021 financial year £'m	% change
Profit distributed by way of dividend	6.8	16.8	147%
Overall spend on pay including Executive Directors (continuing operations)	87.5	105.9	21.0%

Director percentage change versus employee group

The table below shows how the percentage change in each Director's salary/fee, taxable benefits and annual incentive plan between 2020 and 2021 compares with the average percentage change in each of those components of pay for the UK-based employees of the Group as a whole.

For the second year, disclosure for all Directors in addition to the CEO has been added this year in line with new requirements under the EU Shareholder Rights Directive II and over time a five-year comparison will be built up. Although the table shows increases in the actual amounts received in 2021 relative to the 2020 financial year, there were no salary increases in 2021. The table reflects the fact that all directors took a voluntary salary reduction during 2020 which impacts the year-on-year comparison.

	% increased/ decreased in remuneration in 2020 compared with remuneration in 2019			% increase/(decrease) in remuneration in 2021 compared with remuneration in 2020		
Director	Salary	Benefits	Bonus	Salary	Benefits	Bonus
Jonathan Nicholls	(3.1)%	N/A	N/A	5.3%	N/A	N/A
Joe Hudson	(3.1)%	(5.5)%	(100)%	5.3%	(5.4)%	100%
Chris McLeish				5.3%	2.0%	100%
Tracey Graham	7.3%	N/A	N/A	1.4%	N/A	N/A
Justin Read	(3.1)%	N/A	N/A	5.3%	N/A	N/A
Louis Eperjesi	(3.3)%	N/A	N/A	6.5%	N/A	N/A
Claire Hawkings[1]	(3.1)%	N/A	N/A	19.7%	N/A	N/A
Peju Adebajo[2]	N/A	N/A	N/A	N/A	N/A	N/A
All employees	(8.7)%	0%	(100)%	3.9%	3.8%	100%

1 Claire Hawkings was appointed Chair of the new ESG Committee in 2021 and so received an additional fee to reflect this additional responsibility.

2 Peju Adebajo was appointed to the Board in November 2021 therefore no previous year comparison is possible.

The Committee monitors the changes year-on-year between our Director pay and the average employee increase.

Statement of voting at the General Meeting

The current Policy was put to a binding vote at the AGM on 23 May 2019 and as such is due for renewal at the forthcoming AGM. The ARR was also put to an advisory vote at the AGM on 21 April 2022. 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 (2021)	302,006,761	99.99%	44,711	0.01%	302,051,472	19,329
Directors' Remuneration Policy (2019)	325,074,186	99.71%	947,646	0.29%	326,021,832	2,207,066

Advisers to the Remuneration Committee

Following a selection process carried out by the Board prior to the IPO of the Company in 2015, 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 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 £81,750 (2020: £59,250) were provided to PwC during the year in respect of remuneration advice received and were charged on a fixed fee basis. There are no connections between PwC and individual Directors to be disclosed.

Implementation of our Remuneration Policy for 2022 financial year

Our proposed implementation of the new Remuneration Policy for the 2022 financial year is set out below.

	Key elements and time period						
	Year	+1	+2	+3	+4	+5	Overview of Remuneration Policy implementation for 2022
Base salary							Salaries that will be paid to the Executive Directors from 1 April 2022 are as follows: • Joe Hudson: £495,740 • Chris McLeish: £333,540
Pension							The maximum contribution into the defined contribution plan or salary supplement in lieu of pension is 20% of gross base salary for Joe Hudson and 10% of gross base salary for Chris McLeish. From 1 January 2023 this will reduce to a 10% contribution with respect to Joe Hudson.
Benefits							Standard benefits will be provided, including car allowance (£18,000 for Joe Hudson and £15,000 for Chris McLeish), private health cover and death in service cover.

	Key elements and time period (Year, +1, +2, +3, +4, +5)	Overview of Remuneration Policy implementation for 2022
Annual and Deferred Bonus Plan (ADBP)	Cash Deferred award	For 2022 the maximum bonus opportunity will be 125% of salary for Joe Hudson and Chris McLeish. For 2022, 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 2021 annual bonus are as follows: • Adjusted EBITDA* (40%). • Adjusted operating cash flow*(30%). • Non-financial objectives: defined operational/strategic objectives alongside other key areas for executives (30%). • The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the ADBP in advance would not be in shareholders' interests. Actual targets, performance achieved and awards made will be published at the end of the relevant performance period so shareholders can fully assess the basis for any payouts under the annual bonus.
LTIP		• In 2022 an exceptional LTIP award of 200% of salary will be awarded to Joe Hudson and Chris McLeish. • The performance conditions for awards will be weighted between Adjusted Earnings per Share (EPS)* (25%), comparative Total Shareholder Return (TSR)(30%), ROCE* (25%) and ESG (20%) and assessed over a three-year performance period. • TSR performance 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 end values for the calculation). Performance is compared to the FTSE 250 Construction and Building materials sector companies – with threshold vesting for median performance against the index and full vesting for upper quartile performance. • EPS* – Performance is measured over three consecutive financial years with threshold performance at 16.9 pence and maximum performance at 22.1 pence, with straight line vesting between the points. • ROCE* – Performance will be taken to be the average of each of the three years of the performance period with threshold performance at 17.64% and maximum performance of 19.5% with straight line vesting between. • ESG – The Committee recognises the importance of setting robust targets. As at the date of this report the 2022 ESG targets are still being finalised. These will be disclosed at the time of the grant of the 2022 awards. • A two-year holding period will apply to the 2022 LTIP awards following vesting.
Non-Executive Directors' fees		The 2022 fee levels were increased by 3% in line with the wider employee population (with effect from 1 April 2022) are: • Chairman – £188,460 • Board fee (including Committee membership) – £53,850 • Committee Chair (per Committee) – £10,560 • Senior Independent Director – £10,300

Thank you for your continued support. I hope that you find this report to be clear in understanding our remuneration practices and that you will be supportive at the coming AGM.

Tracey Graham
Chair of the Remuneration Committee and Senior Independent Director
8 March 2022

Directors' Report

The Directors' Report for the year ended 31 December 2021 comprises pages 74 to 124 together with the sections of the Annual Report incorporated by reference. The Corporate Governance Statement on pages 80 to 86 are incorporated into the Directors' Report by reference. As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 1 to 73. The Strategic Report includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy.

The Strategic Report and the Directors' Report together form the Management Report for the purposes of the Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

Principal activity

The principal activity of the Group is the manufacture and supply of clay and concrete building products and solutions primarily to customers in the UK residential construction sector. Details of the Group's principal subsidiaries can be found in Note 29 to the financial statements.

Results and dividend

The results for the year can be found in the financial review on pages 64 to 68 and these are incorporated by reference into this report.

Going Concern and Viability Statement

Information relating to the Going Concern and Viability Statement is set out on pages 72 and 73 of the Strategic Report and is incorporated by reference into this report.

Research and development

Information relating to research and development is set out in the Our Strategy section and on page 42 of the Strategic Report and is incorporated by reference into this report.

Greenhouse gas emissions

Information relating to the greenhouse gas emissions of the Company is set out on page 45 of the Strategic Report and is incorporated by reference into this report.

Board of Directors and their interests

The names and biographies of the Directors as at the date of this report are shown on pages 78 and 79. The interests of the Directors holding office at the end of the year in the issued Ordinary Share capital of the Company and any interests in Ibstock's share incentive plans are given in the Directors' Remuneration Report on page 118.

Powers of the Directors

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.

Re-election of Directors

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

Amendment of the Articles of Association

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

Share capital and control

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

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

The Trustee of the Employee Benefit Trust (the Trust), which is used to purchase shares on behalf of the Company as described in Note 25, has the power to vote or not vote, at its absolute discretion, in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the Trustee adopts a policy of not voting in respect of such shares. In accordance with Listing Rule 9.8.4(c), the Company notes that the Trustee has a dividend waiver in place in respect of shares which are the beneficial property of the Trust.

Purchase of own shares

At the AGM held on 21 April 2021, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 40,955,979 Ordinary Shares, representing 10% of the Company's issued Ordinary Share capital as at the latest practicable date prior to publication of the AGM circular. The Directors are seeking renewal of the authority at the forthcoming AGM, in accordance with relevant institutional guidelines.

Substantial shareholdings

As at 31 December 2021, 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	35,416,275	8.65%	Indirect
Aviva plc and its subsidiaries	23,253,224	5.68%	Direct and Indirect
Ameriprise Financial, Inc.	22,436,978	5.47%	Indirect
Lansdowne Partners	20,591,969	5.21%	Indirect
J O Hambro Capital Management Limited	20,367,209	4.98%	Indirect
Franklin Templeton Fund Management Limited	17,674,986	4.32%	Indirect
Norges Bank	12,218,525	2.98%	Direct
Janus Henderson Group plc	–	Below 5%	Indirect
Blackrock, Inc	–	Below 5%	Indirect

In the period from 31 December 2021 to the date of this report there have been 2 notifications that have been made to the Company pursuant to DTR 5. Notifications were received in February 2022 that Vulcan Value Partners LLC had increased their holding to 39, 817, 683 shares (9.72%) of the issued share capital and Ameriprise Financial, Inc had reduced their holding to 20,328,605 shares (4.96%) of the issued share capital. 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.

During the year the Company completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), diversifying its credit sources at attractive rates, whilst simultaneously achieving a significant extension of the Group's debt maturity profile.

The existing facility was replaced with the issuance of £100 million of private placement notes from Pricoa Private Capital, with maturities of between 7 and 12 years at an average total cost of funds of 2.19%, and a £125 million RCF provided by a syndicate of five banks. The RCF is for an initial four year tenor, with a one year extension option, at a margin of between 1.60% and 2.60%, and also includes an additional £50 million uncommitted accordion.

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

Directors' and Officers' liability insurance and indemnities

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

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 section on page 52 and in Note 23 of the Group consolidated financial statements.

Political donations

No political donations were made during the year ended 31 December 2021 (2020: £nil).

Annual General Meeting 2022

The AGM will be held on 21 April 2022 at 11:00 a.m. at Hatton Garden, London. 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.

Employees

The average number of employees within the Group is shown in Note 7 to the Group financial statements.

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

Employee engagement

Due to our commitment to transparent and best practice reporting, we have included our section on employee engagement on page 41 of the Strategic Report as the Board considers these disclosures to be of strategic importance and is therefore incorporated into the Directors' Report by cross-reference.

The Stakeholder engagement section on page 40 demonstrates how the Directors have engaged with employees and how they have had regard to employee interests and the effect of that regard including the principal decisions by the Company during the financial year.

The Company is also keen to encourage greater employee involvement in the Group's performance through share ownership. To help align employees' interests with the success of the Company's performance, we operate an HMRC approved all-employee plan, the Ibstock plc Sharesave Scheme (Sharesave), which is offered to UK employees.

Business relationships

The Stakeholders section on pages 40 to 42 and Section 172(1) Statement demonstrate how the Directors have had regard to its engagement with suppliers, customers and others and how the effect of that regard had influenced the principal decisions taken by the Company during the financial year. The Board considers this disclosure to be of strategic importance and is therefore incorporated into the Directors' Report by cross-reference.

Directors' responsibilities

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

Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website (at https://www.ibstockplc.co.uk) is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

Each person who is a Director of the Company as at the date of approval of this Report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and

(b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibility Statement

The Directors in office as at 31 December 2021 and whose names and functions are given on pages 78 and 79 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business and strategy.

The Directors' Report (pages 74 to 124) have been approved and are signed by order of the Board by:

Nick Giles
Group Company Secretary
8 March 2022
Registered Office: Leicester Road, Ibstock, Leicestershire, LE67 6HS
Company registration number 09760850

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Ibstock plc (the 'Company') and its subsidiaries (together, the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Company balance sheets;
- the consolidated and Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32 to the consolidated financial statements; and
- the related notes 1 to 12 to the Company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Presentation of exceptional items; and • Revenue recognition – rebates.
Materiality	The materiality that we used for the Group financial statements was £4.2 million which was determined on the basis of 1.0% of revenue.
Scoping	We performed full scope audit procedures for the Clay and Concrete components (with the exception of Longley Concrete) for the year ended 31 December 2021. For Longley Concrete we performed a desktop review on the results for the year ended and the financial position as at 31 December 2021. The full scope procedures covered 95% of revenue, 98% of profit before tax and 96% of net assets.
Significant changes in our approach	During the year ended 31 December 2020 we identified a key audit matter in relation to Going Concern as a result of the impact of Covid-19 on the Group's activities. Due to the improved trading performance of the Group in the second half of 2020 and throughout 2021 and the current financing arrangements in place, we have not classified Going Concern as a key audit matter for the year ended 31 December 2021. Also for the year ended 31 December 2021, we have not identified inflation, discount and mortality assumptions used in defined benefit pension scheme valuations as a key audit matter due to the absence of one-off or unusual circumstances affecting the balance during the year.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IBSTOCK PLC CONTINUED

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the appropriateness of forecasts used with reference to industry and analyst forecasts;
- reviewed the revised financing arrangements negotiated in FY2021 and the impact on covenant compliance requirements;
- challenging the appropriateness of sensitivities used in management's low case scenario, with reference to the historical trading performance, market expectations and peer comparison; and
- reviewed the appropriateness of disclosures within the financial statements in respect of going concern and long term viability.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Presentation of exceptional items

Key audit matter description	The Group has identified £5.2 million of exceptional items in the consolidated income statement in 2021 (2020: £35.7 million). The FRC and ESMA have advised companies against presenting the impacts of Covid-19 as exceptional on the basis that the impacts are macroeconomic and likely to have a wide range of potentially long-term consequences which will be considered to form part of underlying business performance on an ongoing basis. A key principle is that the Group should not split discrete items on an arbitrary basis in an attempt to quantify the portion relating to Covid-19. The preferred treatment by regulators is to explain the impact of Covid-19 through additional narrative in the "front half" rather than exceptional items within the primary statements. Therefore there is a risk that items are inappropriately classified as exceptional in the financial statements. Further information on exceptional items can be found in the Audit Committee Report on page 94, the Group's summary of significant accounting policies in note 1 on page 142, note 2 (Critical accounting judgements and key sources of estimation uncertainty) on page 143, note 3 (Alternative Performance Measures) on page 144 and note 5 (Exceptional items) on page 149.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the management review controls over the classification of items as exceptional; • assessed the classification and consistency of items management proposed to include as exceptional, assessing whether any items classified as Covid-19 exceptional items are discrete expenses, directly caused by the Covid-19 pandemic and not relating to the ongoing macroeconomic impacts on performance; • evaluated regulatory guidance released by the FRC and ESMA; and • assessed the adequacy of the disclosures to explain the nature of the exceptional items.
Key observations	We concur with management that the classification of items as exceptional is appropriate for the year ended 31 December 2021.

5.2. Revenue recognition – rebates

Key audit matter description	The Group has recognised revenue for the year ended 31 December 2021 of £408.7 million (2020: £316.2 million). The Group enters into various agreements whereby it offers customers retrospective rebates according to the volume of transactions with that customer. The rebate agreements are complex in nature, with different types of rebates being offered to each customer, with the nature of those rebates differing across different product ranges. Due to the high level of complexity involved, we have determined that there is a potential for fraud through possible manipulation of this balance. The key audit matter in relation to customer rebates is focussed on the completeness and accuracy of the reduction against revenue in respect of rebates for customers in Ibstock Brick Limited and Supreme Concrete Limited. Further information on rebates can be found in the Group's summary of significant accounting policies in note 1 on page 142.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls over the revenue recognition process to address the key audit matter; • performed a year-on-year analysis of revenue and rebates to understand any material changes in the rebate provision at a customer level; • selected a sample of customer rebate agreements, inspected the terms and dates, and recalculated selected rebates in accordance with the contract terms, including evaluating the sales data on which the rebate calculations are based; • identified the largest customers in each of Ibstock Brick Limited and Supreme Concrete Limited and requested written confirmation from a sample of the largest customers to confirm that the rebate provided by the Group is the full rebate due to the customer as at 31 December 2021; • assessed the completeness of rebates by evaluating credit notes raised during 2021 and post year-end, assessing whether payments had been made to customers where we had been informed that no rebate agreement was in place and made enquiries of management as to the existence of any other rebate arrangements; and • agreed a sample of rebates to settlement post year-end.
Key observations	We concur with management that the revenue recognition in relation to customer rebates is appropriate for the year ended 31 December 2021.

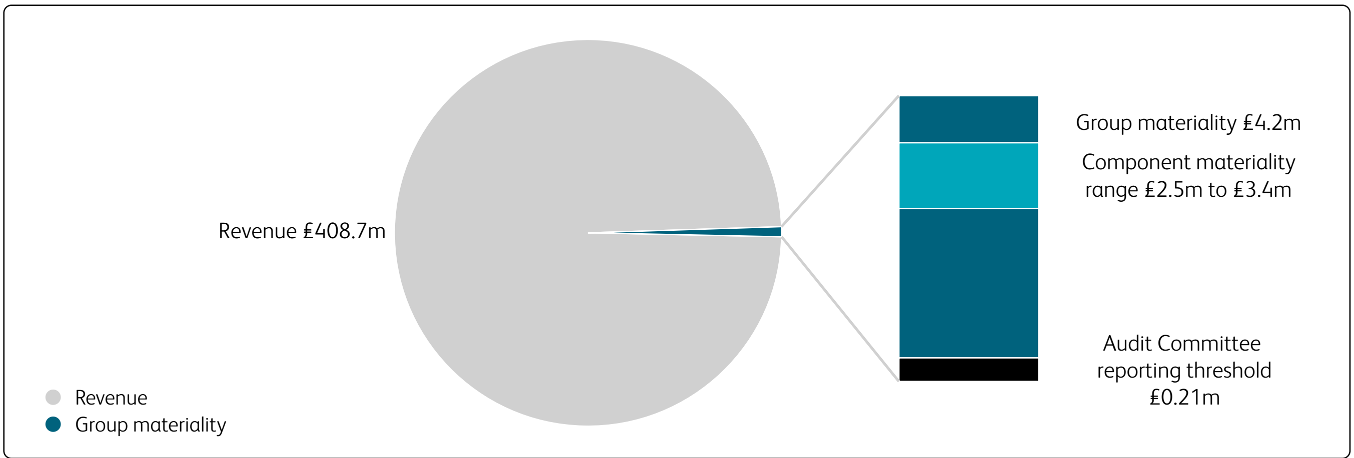
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£4.2 million (2020: £3.3 million)	£3.4 million (2020: £2.3 million)
Basis for determining materiality	Approximately 1.0% of revenue (2020: 1.1% of revenue)	3.0% of net assets (2020: 3.0%), capped at 80% of Group materiality (2020: 70%).
Rationale for the benchmark applied	Given the unusual fluctuations within pre-tax profit from continuing operations in the current and prior year, materiality is based on Group revenue for 2021.	Net assets are considered to be an appropriate benchmark for the Company given that it is predominantly a holding Company. A set percentage of Group materiality was applied to the Company based upon the scoping of components and assessing the risk within the Company compared to others within the Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2020: 70%) of Group materiality	70% (2020: 70%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we consider the following factors: • no significant deficiencies identified within the control environment, with a controls reliance approach taken over the business cycles noted in section 7.2 of this report; • no significant changes in the business; and • a low number of uncorrected misstatements identified in previous years.	

6.3. Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £210,000 (2020: £165,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit
7.1. Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at a Group level.

Scope A:
Full scope audit procedures were performed on the UK Clay (Ibstock Brick) and UK Concrete excluding Longley Concrete (Forticrete, Supreme and Anderton) components. Component materiality was £3.4 million for UK Clay and £2.5 million for UK Concrete. Our audit work for Ibstock Brick, Forticrete, Supreme and Anderton was executed at levels of materiality applicable to each individual entity which were lower than the respective component materiality, in accordance with local GAAP. At the Group level, we also tested the Head Office entities and the consolidation process.

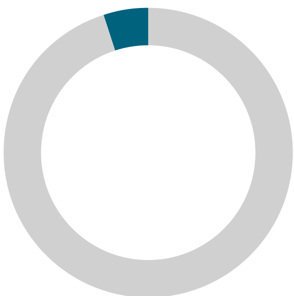
Scope A Entities: UK Clay and UK Concrete components (excluding Longley Concrete), Head Office entities and the consolidation process

Scope B:
Desktop review procedures for Longley Concrete have been performed by the Group audit team to Group materiality.

Scope B Entity: Longley Concrete

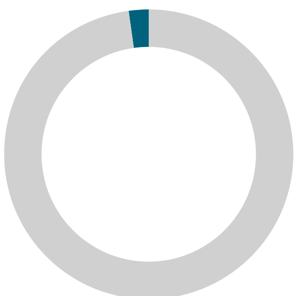
All work has been performed by the Group engagement team. The full scope procedures covered 95% of revenue, 98% of profit before tax and 96% of net assets.

Revenue



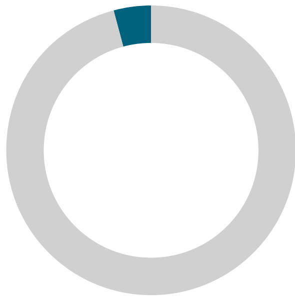
- Full audit scope 95%
- Review at Group level 5%

Profit before tax



- Full audit scope 98%
- Review at Group level 2%

Net assets



- Full audit scope 96%
- Review at Group level 4%

7.2. Our consideration of the control environment
The Group uses JD Edwards in all of its legal entities.

We involved our IT specialists to assess and test relevant controls over the JD Edwards system.

From our walkthroughs and understanding of the entity and the controls at the business cycle and account balance levels, we relied on controls over the following business cycles in Scope A Entity:

- revenue;
- trade receivables; and
- payroll.

For each relevant control identified in the business cycles where we planned to take controls reliance, we obtained an understanding of the relevant controls and tested the relevant controls. We tested the relevant controls on a three-year rotation cycle with at least one relevant control from each business cycle in scope each year.

We obtained our audit assurance through a combination of testing of controls and substantive procedures.

7.3. Our consideration of climate related risks
Our identification of climate related risks and subsequent procedures involved the following:

- Reviewed the details of the net-zero by 2040 target announced by the Group in January 2022;
- Made enquiries of management, including Ibstock's Sustainability Manager, to understand management's process for considering the impact of climate related risks that are relevant to the Group;
- Made enquiries of management, including Ibstock's Sustainability Manager, to understand the impact of the net-zero by 2040 target on the future cash flow projections of the Group; and
- Reviewed the climate-change sensitivities presented to the Board of Directors and considered the consistency of those sensitivities with the cash flow forecasts prepared to support both the going concern basis of preparation and the consideration of impairment of non-current assets on the consolidated Group and Company's balance sheets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IBSTOCK PLC CONTINUED

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: presentation of exceptional items and revenue recognition – rebates. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included employment law, occupational health and safety regulations, the Environment Act, the Water Framework Directive, the Waste Directive, the Environment Protection Act and the Energy Efficiency Directive.

11.2. Audit response to risks identified

As a result of performing the above, we identified the presentation of exceptional items and revenue recognition – rebates as key audit matters related to the potential 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and the Group Company Secretary concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 137;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 72;
- the directors' statement on fair, balanced and understandable set out on page 77;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 77;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 96; and
- the section describing the work of the Audit Committee set out on page 92.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 24 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ended 31 December 2017 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Jonathan Dodworth
(Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
8 March 2022

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	4	**408,656**	316,172
Cost of sales before exceptional items		**(267,662)**	(235,667)
Exceptional income from/(cost of) sales[1]	5	**3,495**	(32,062)
Cost of sales	6	**(264,167)**	(267,729)
Gross profit		**144,489**	48,443
Distribution costs		**(38,829)**	(31,427)
Administrative expenses before exceptional items		**(41,511)**	(35,296)
Exceptional administrative items[1]	5	**(287)**	(6,003)
Administrative expenses		**(41,798)**	(41,299)
Profit on disposal of property, plant and equipment before exceptional items		**1,638**	113
Exceptional profit on disposal of property, plant and equipment[1]	5	**2,022**	2,808
Total profit on disposal of property, plant and equipment		**3,660**	2,921
Other income		**2,524**	2,118
Other expenses		**(112)**	(368)
Operating profit/(loss)	6	**69,934**	(19,612)
Finance costs before exceptional items		**(5,831)**	(5,691)
Exceptional finance costs[1]	5	**–**	(414)
Finance costs	8	**(5,831)**	(6,105)
Finance income	9	**839**	1,777
Net finance cost		**(4,992)**	(4,328)
Profit/(loss) before taxation		**64,942**	(23,940)
Taxation	10	**(33,129)**	(4,081)
Profit/(loss) for the financial year		**31,813**	(28,021)
Profit/(loss) attributable to:			
Owners of the parent		**31,813**	(28,021)

	Notes	pence per share	pence per share
Earnings/(loss) per share			
Basic	11	**7.8**	(6.8)
Diluted	11	**7.7**	(6.8)

All amounts relate to continuing operations.

The notes on pages 137 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Profit/(loss) for the financial year		**31,813**	(28,021)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Change in fair value of cash flow hedges[2]	23	**(74)**	–
Related tax movements[2]	10	**14**	–
Remeasurement of post-employment benefit assets and obligations[2]	21	**12,862**	(45,263)
Related tax movements[2]	10	**(2,525)**	7,927
		10,277	(37,336)
Other comprehensive income/(expense) for the year, net of tax		**10,277**	(37,336)
Total comprehensive income/(expense) for the year, net of tax		**42,090**	(65,357)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		**42,090**	(65,357)

The notes on pages 137 to 176 form an integral part of these consolidated financial statements.

Non-GAAP measure

Reconciliation of adjusted EBITDA[1] to operating profit/(loss) for the financial year for continuing operations

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating profit/(loss)		**69,934**	(19,612)
Add back exceptional items[1] impacting operating profit	5	**(5,230)**	35,257
Add back depreciation and amortisation	6	**38,349**	36,477
Adjusted EBITDA[1]		**103,053**	52,122

1 Alternative performance measures are described in Note 3 to the consolidated financial statements.
2 Impacting retained earnings.

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets	12	**94,625**	95,163
Property, plant and equipment	13	**375,800**	371,395
Right-of-use assets	27	**25,114**	26,653
Post-employment benefit asset	21	**57,754**	43,576
		553,293	536,787
Current assets			
Inventories	14	**72,821**	63,386
Current tax recoverable		**3,199**	–
Trade and other receivables	15	**64,756**	58,906
Cash and cash equivalents		**61,199**	19,552
		201,975	141,844
Assets held for sale	16	**875**	1,186
Total assets		**756,143**	679,817
Current liabilities			
Trade and other payables	18	**(103,132)**	(85,423)
Derivative financial instrument	23	**(74)**	–
Borrowings	19	**(333)**	(135)
Lease liabilities	27	**(6,860)**	(6,728)
Current tax payable		**–**	(421)
Provisions	20	**(1,869)**	(5,303)
		(112,268)	(98,010)
Net current assets		**90,582**	45,020
Total assets less current liabilities		**643,875**	581,807
Non-current liabilities			
Borrowings	19	**(99,738)**	(88,601)
Lease liabilities	27	**(20,324)**	(22,348)
Deferred tax liabilities	22	**(92,352)**	(64,755)
Provisions	20	**(8,232)**	(8,232)
		(220,646)	(183,936)
Total liabilities		**(332,914)**	(281,946)
Net assets		**423,229**	397,871
Equity			
Share capital	24	**4,096**	4,096
Share premium	25	**4,458**	4,333
Retained earnings		**785,609**	759,483
Cash flow hedging reserve	25	**(74)**	–
Merger reserve	25	**(369,119)**	(369,119)
Own shares held	25	**(1,741)**	(922)
Total equity		**423,229**	397,871

The notes on pages 137 to 176 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board and authorised for issue on 08 March 2022. They were signed on its behalf by:

J Hudson
Director

C McLeish
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Merger reserve (See Note 25) £'000	Own shares held (see Note 25) £'000	Total equity attributable to owners £'000
Balance at 1 January 2021		**4,096**	**4,333**	**759,483**	**–**	**(369,119)**	**(922)**	**397,871**
Profit for the year		**–**	**–**	**31,813**	**–**	**–**	**–**	**31,813**
Other comprehensive income/(expense)		**–**	**–**	**10,351**	**(74)**	**–**	**–**	**10,277**
Total comprehensive income/(expense) for the year		**–**	**–**	**42,164**	**(74)**	**–**	**–**	**42,090**
Transactions with owners:								
Share based payments	26	**–**	**–**	**890**	**–**	**–**	**–**	**890**
Deferred tax on share based payment	22	**–**	**–**	**35**	**–**	**–**	**–**	**35**
Equity dividends paid	31	**–**	**–**	**(16,780)**	**–**	**–**	**–**	**(16,780)**
Purchase of own shares		**–**	**–**	**–**	**–**	**–**	**(1,309)**	**(1,309)**
Issue of share capital on exercise of share options	24	**–**	**125**	**–**	**–**	**–**	–	**125**
Issue of own shares held on exercise of share options		**–**	**–**	**(183)**	**–**	**–**	**490**	**307**
At 31 December 2021		**4,096**	**4,458**	**785,609**	**(74)**	**(369,119)**	**(1,741)**	**423,229**

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve (See Note 25) £'000	Own shares held (see Note 25) £'000	Total equity attributable to owners £'000
Balance at 1 January 2020		4,093	7,441	822,321	(369,119)	(435)	464,301
Loss for the year		–	–	(28,021)	–	–	(28,021)
Other comprehensive expense		–	–	(37,336)	–	–	(37,336)
Total comprehensive expense for the year		–	–	(65,357)	–	–	(65,357)
Transactions with owners:							
Share based payments	26	–	–	527	–	–	527
Current tax on share based payment		–	–	24	–	–	24
Deferred tax on share based payment	22	–	–	(686)	–	–	(686)
Transfer from Share premium account		–	(3,108)	3,108	–	–	–
Purchase of own shares		–	–	–	–	(1,020)	(1,020)
Issue of own shares held on exercise of share options	25	–	–	(454)	–	536	82
Issue of share capital to Employee Benefit Trust	24	3	–	–	–	(3)	–
At 31 December 2020		4,096	4,333	759,483	(369,119)	(922)	397,871

The notes on pages 137 to 176 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flow from operating activities		
Cash generated from operations (Note 28)	**100,497**	55,215
Interest paid	**(2,928)**	(4,189)
Other interest paid – lease liabilities	**(1,107)**	(1,215)
Tax paid	**(9,960)**	(6,478)
Net cash inflow from operating activities	**86,502**	43,333
Cash flows from investing activities		
Purchase of property, plant and equipment	**(24,960)**	(24,072)
Proceeds from sale of property, plant and equipment	**874**	1,165
Proceeds from sale of property, plant and equipment – exceptional	**2,882**	2,808
Purchase of intangible assets	**(6,402)**	–
Settlement of deferred consideration	**(413)**	–
Interest received	**–**	10
Net cash outflow from investing activities	**(28,019)**	(20,089)
Cash flows from financing activities		
Dividends paid (Note 31)	**(16,780)**	–
Drawdown of borrowings	**170,000**	100,000
Repayment of borrowings	**(160,000)**	(115,000)
Debt issue costs	**(1,563)**	–
Repayment of lease liabilities	**(7,575)**	(6,848)
Proceeds from issuance of equity shares	**432**	141
Purchase of own shares by Employee Benefit Trust	**(1,309)**	(1,020)
Net cash outflow from financing activities	**(16,795)**	(22,727)
Net increase in cash and cash equivalents	**41,688**	517
Cash and cash equivalents at beginning of the year	**19,552**	19,494
Exchange losses on cash and cash equivalents	**(41)**	(459)
Cash and cash equivalents at end of the year	**61,199**	19,552

Discontinued operations did not have material cash flows during the current or prior period.

The notes on pages 137 to 176 form an integral part of these consolidated financial statements.

Reconciliation of changes in cash and cash equivalents to movement in net debt[1]

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net increase in cash and cash equivalents	**41,688**	517
Proceeds from borrowings	**(170,000)**	(100,000)
Repayment of borrowings	**160,000**	115,000
Non-cash debt movement	**(1,335)**	609
Effect of foreign exchange rate changes	**(41)**	(459)
Movement in net debt[1]	**30,312**	15,667
Net debt[1] at start of year	**(69,184)**	(84,851)
Net debt[1] at end of year (Note 3)	**(38,872)**	(69,184)
Comprising:		
Cash and cash equivalents	**61,199**	19,552
Short-term borrowings (Note 19)	**(333)**	(135)
Long-term borrowings (Note 19)	**(99,738)**	(88,601)
	(38,872)	(69,184)

1 Alternative performance measures are described in Note 3 to the 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 2021 were authorised for issue in accordance with a resolution of the Directors on 08 March 2022. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish.

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

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic Report on pages 1 to 73.

Basis of preparation

The consolidated financial statements of Ibstock plc for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and as applied in accordance with the provisions of the Companies Act 2006. Following the end of the Brexit transition period on 31 December 2020, IFRS Standards as adopted by the EU were brought into UK law and UK-adopted IFRS Standards came into effect for the period beginning 1 January 2021.

These consolidated financial statements are prepared on a going concern basis, under the historical cost convention. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2021. 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.

Going concern

Given the continued improving trading performance of the Group, positive external market indicators and reduced level of uncertainty looking forward, management does not believe that the going concern basis of preparation represents a significant judgement.

The Group's financial planning and forecasting process consists of a budget for the next year followed by a medium term projection. The Directors have reviewed and robustly challenged the assumptions about future trading performance, operational and capital expenditure and debt requirements within these forecasts including the Group's liquidity and covenant forecasts, and stress testing within their going concern assessment.

In arriving at their conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group, particularly those relating to economic conditions and operational disruption. The strategic report sets out in more detail the Group's approach and risk management framework.

Group forecasts have been prepared which reflect both actual experienced impact of the pandemic and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group. Total capacity in the clay network is expected to increase by 5% by mid-2022.

During the final quarter of the 2021 year, the Group completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), replacing the existing facility with the issuance of £100 million of private placement notes with maturities of between seven and twelve years and a £125 million RCF for an initial four-year tenor, with a one-year extension option. At 31 December 2021 the RCF was undrawn.

Covenants under the Group's RCF and private placement notes require leverage of no more than three times net debt to adjusted EBITDA[1], and interest cover of no less than four times, tested bi-annually at each reporting date with reference to the previous twelve months. At 31 December 2021 covenant requirements were met with significant headroom.

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios which see reduction in the industry demands for its products thereby stress testing the Group's resilience. For each scenario, cash flow and covenant compliance forecasts have been prepared. In the most severe but plausible scenario industry demand for Clay products is projected to be around 30% lower than 2019 in the 2022 year, which is broadly in line with the sales reduction seen in the Clay division in 2020 during the height of the pandemic, recovering to around 5% lower in 2023.

In addition, the Group has prepared a reverse stress test to evaluate the industry demand reduction at which it would be likely to breach the debt covenants, before any further mitigating actions were taken. This test indicates that, at a reduction of 45% in sales volumes in 2022 and 36% in the first half of 2023 versus 2019 levels, the Group would be at risk of breaching its covenants.

In the severe but plausible low case, the Group has sufficient liquidity and headroom against its covenants, with covenant headroom expressed as a percentage of annual adjusted EBITDA[1] being in excess of 38%.

The Directors consider this to be a highly unlikely scenario, and in the event of an anticipated covenant breach, the Group would seek to take further steps to mitigate, including the disposal of valuable land and building assets and restructuring steps to reduce the fixed cost base of the Group.

Having taken account of the various scenarios modelled, and in light of the mitigations available to the Group, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

1. Summary of significant accounting policies continued

New or amended accounting standards

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; and
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform – Phase 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Additionally, the Group assessed the IFRS Interpretations Committee's March 2021 decision regarding the accounting for configuration and customisation costs in a cloud service as immaterial.

Future accounting standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendment to IFRS 16 Leases – Covid related rent concessions – extension of the practical expedient beyond 30 June 2021;
- A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- Amendments to IAS 1 – Presentation of financial statements on classification of liabilities;
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; and
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in the current or future reporting periods.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (CODMs). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and Chief Financial Officer of the Group.

The CODMs review the key profit measure, Adjusted EBITDA[1], as defined in Note 3, and consider the Group's reportable segments to be Clay and Concrete.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling (£), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented within the income statement.

Property, plant and equipment

Property, plant and equipment is stated at the cost to the Group less depreciation. The cost of property, plant and equipment includes directly attributable costs. Costs incurred to gain access to mineral reserves (typically stripping costs) are capitalised and depreciated over the life of the quarry, which is based on the estimated tonnes of raw material to be extracted from the reserves. Management assesses the Group's assets separating their cost into (i) the local statutory books' historical cost and (ii) the associated fair value uplift, which arose on the acquisition of the Group in February 2015.

Details of cost and accumulated depreciation are included in Note 13.

Depreciation is provided on the cost of all assets (except assets in the course of construction and land), so as to write off the cost, less residual value, on a straight line basis over the expected useful economic life of the assets concerned, as follows:

Asset classification	Useful life
Land	Not depreciated
Freehold buildings	20 – 40 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 property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The carrying values of capitalised evaluation expenditure are reviewed for impairment by management.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

Intangible assets
Separately acquired brands and non-contractual customer relationships are shown at historical cost. Brands and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of brands and customer relationships over their estimated useful lives as follows:

Asset classification	Useful life
Brands	10 – 50 years
Customer contracts and relationships	10 – 20 years

Licences include carbon allowances, which are held at cost and surrendered, as required, to meet carbon emissions in excess of the Group's granted allowances. Emissions in the year in excess of granted allowances are recognised within accruals at the expected cost of settling the related liability.

For implementation costs in a cloud service contract which are distinct from the related software, the costs are recognised as an expense as incurred (as the service is received) unless it gives rise to a separate intangible asset. The costs of services provided by the cloud vendor, which are not distinct from access to the software are recognised as an expense over the period of access to the software.

Goodwill is initially recognised and measured as the excess of consideration transferred over the fair value of the net assets acquired in a business combination. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating unit (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. There has been no impairment of goodwill in the current or prior year.

For further details, see Note 12.

Impairment of non-financial assets
Assets that are subject to amortisation or depreciation, such as brands and non-contractual customer relationships and property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised immediately within the income statement 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 at which point they are immediately recognised within the income statement.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the consolidated income statement.

For further details, see Note 17.

Leases
The Group as lessee
The Group leases various offices, warehouses, factories, mobile plant and cars. Rental contracts are typically made for fixed periods of three to twenty years, but may have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Management also reviews other contracts entered into during the period to assess whether they may contain embedded leases. Such contracts are, or contain, a lease if it conveys the right to control the use of a specified asset (e.g., plant, property and equipment) over a period in exchange for consideration.

Leases are recognised as right-of-use assets and a corresponding liability at the date which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost.

The finance cost is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that are based on an index or rate;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense within the income statement. Short-term leases are leases with a term of 12 months or less. Low-value assets generally comprise IT equipment.

(i) Variable lease payments
Some property leases contain variable lease payment terms that are linked to the extraction of raw materials. For individual properties, a percentage of the lease payments are on the basis of the variable payment terms.

Variable lease payments that are dependent upon the level of extraction are recognised within the income statement in the period in which the extraction which triggers that payment occurs.

31 December 2020, the value of variable lease payments and the impact of movements in the Group's levels of extraction are insignificant.

1. Summary of significant accounting policies continued

(ii) Extension and termination options

Extension and termination options are included in a small number of property leases across the Group. The majority of such options are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the future cash outflows if the lease is reasonably certain to be extended (or not terminated). This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

The impact of rental concessions granted as a result of the COVID-19 pandemic are not material to the Group.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its surplus properties.

Leases for which the Group is a lessor are classified as either finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on a weighted average cost basis, while work in progress and finished goods are held at direct cost plus an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The Group records provisions for obsolete and slow-moving inventory on the basis of historical sales values and volumes, respectively. These inventory provisions are updated regularly to reflect management's most recent data.

Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised within the income statement.

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.

Forward energy contracts

The Group has a long-standing practice of locking in prices for gas and electricity used in its production activities and achieves this by committing to a certain volume of consumption in future months which creates a contractual commitment and secures a certain price.

The Group takes delivery of the energy and so the Directors believe it meets the requirements of the own use scope exemption in IFRS 9 Financial Instruments. As such, these contracts are not held on the balance sheet at fair value but rather treated as executory contracts and energy purchases are accounted for in the period in which the gas and electricity is consumed, at the contracted price.

During the prior year, the significant reduction in activity levels, due to the COVID-19 pandemic and resulting production facility shutdowns, resulted in the Group having energy contracts which failed the own use scope exemption in IFRS 9 ("the failed own use contracts"). These failed own use contracts were fair valued ("marked to market") and recognised as a derivative liability on the balance sheet and any gains or losses were recognised as a result of measuring these energy contracts at fair value.

As at 31 December 2020, all failed own use contracts had expired with all contracted energy consumed during the year ended 31 December 2020. The Directors concluded that the net settling of such contracts and the resultant failed own use contracts was an isolated incident and did not preclude the Group's future use of the own use exemption for similar contracts in the current or future periods. There were no failed own use contracts in the current year.

Derivatives and hedging

The Group enters into derivative transactions to manage its exposure to foreign exchange rate risks on major capital expenditure projects.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk.

These derivatives are designated and effective as hedging instruments, in which event the timing of the transfer within the balance sheet or recognition in the income statement depends on the nature of the hedge relationship.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Group documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the related capital expenditure project within the balance sheet in the periods when the underlying hedged item affects the balance sheet.

The Group discontinues hedge accounting should the hedge relationship cease to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group classifies its debt instruments is amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. 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.

No signficant impairment losses were recorded in the current or prior year. Should they arise, impairment losses are presented as a separate line item in the Group consolidated income statement.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Collection is expected in one year or less and trade receivables are classified as current assets accordingly. Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment. In the current and prior periods, the Group did not engage in material factoring arrangements.

Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents reflects cash in hand at the balance sheet date, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In the current and prior periods, the Group did not engage in material reverse factoring arrangements.

Borrowings

The Group's borrowings comprise a revolving credit facility (RCF) and private placement loan notes. 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 evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Fees relating to short-term variations in financing conditions and terms are recognised in profit or loss in the period in which they are incurred.

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.

Pensions

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.

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.

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 fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. 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.

1. Summary of significant accounting policies continued

Past-service costs are recognised immediately in the income statement. 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 within the income statement 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.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the risk-assessed expenditures expected to be required to settle the obligation using a pre-tax risk-free discount rate to reflect current market assessments of the time value of money. The increase in the provision due to passage of time is recognised as interest expense.

The restoration provision is to fund future obligations at a number of sites that the Group is associated with and where the Group has any constructive obligation to restore once it has fully utilised the site. Provisions for dilapidations are recognised on a lease-by-lease basis and are based on the Group's 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 Group's performance obligation is satisfied, which is usually when the promised goods are transferred to the customer. 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, with rebates granted based upon a tiered structure dependent upon an individual customer's purchases during the rebate period. Customer rebates are recorded in the same period as the related sales as a deduction from revenue and the vast majority are coterminous with the Group's financial year end.

For those individual contracts that are non-coterminous, the Group estimates the provision for this variable consideration based on the most likely outcome amount determined by the terms of each agreement at the time the revenue is recognised. At the financial year end, due to settlement of rebates with customers, the level of remaining estimation is limited and the risk of a significant reversal of recognised revenue is negligible.

Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Group. Rental income received under operating leases is recognised on a straight line basis over the term of the relevant lease. Assets leased by the Group to third parties are depreciated in line with the Group's normal depreciation policy.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project. Development costs capitalised were not material in either the current or prior years.

Exceptional items[1]

The Group presents 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 further understand elements of financial performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance. Specifically, in the prior period, management further defined its policy criteria for the recognition of exceptional items[1] in relation to the COVID-19 pandemic. See Note 5 for further details of exceptional items[1] recognised in the current period.

The Directors believe that the use of alternative performance measures (APMs), such as exceptional items[1], provide useful information for shareholders. The Group uses APMs to aid comparability of its performance and position between periods. The APMs used represent measures used by management and Board to monitor performance and plan. Additionally, certain APMs are used by the Group in setting Director and management remuneration. Detailed descriptions of APMs used throughout these financial statements are included within Note 3.

APMs used by the Group are generally not defined under IFRS and may not be comparable with similarly titled measures reported by other companies.

It is not believed that adjusted measures are a substitute for, or superior to, statutory measurements.

Government grants

Government grants are recognised within the income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants are presented as part of the income statement and are deducted in reporting the related expense.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised within the income statement in the period in which they become receivable. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

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 its interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the year in which such a determination is made.

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

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

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

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities where these have been levied by the same tax authority on either the same taxable entity or different taxable entities within the Group where there is an intention to settle the balances on a net basis.

Dividend distribution
Dividend distributions to Ibstock plc shareholders are recognised in the Group's financial statements in the period in which the dividends are approved in a 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 Ibstock plc. 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, the Group's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of instruments that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the year between service commencement period and grant date. For the equity-settled share based payment transactions, the fair value of the share instruments granted is derived from established option pricing models. Further details on share based payments are set out in Note 26.

2. Critical accounting judgements and key sources of estimation uncertainty
In applying the Group's accounting policies, as described in Note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Critical judgements in applying the Group's accounting policies
The following critical judgement, that the Directors made in the process of applying the Group's accounting policies, has the most significant effect on the amounts recorded in the financial statements.

Exceptional items[1]
Exceptional items[1] are disclosed separately in the financial statements where the Directors believe it is necessary to do so to provide further understanding of the financial performance of the Group. The Group presents as exceptional items[1] 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 elements of financial performance in the financial period, so as to facilitate comparison with future years and further assess underlying trends in financial performance.

Further details on exceptional items[1] are given within Note 5.

Key sources of estimation uncertainty
Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised, and in any future period affected. The areas that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Defined benefit pension schemes – valuation of liabilities
For defined benefit schemes, management is required to make annual estimates and assumptions about future changes in discount rates, inflation, the rate of increase in pensions in payment and life expectancy.

The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. These assumptions are subject to periodic review.

Note 21 describes the assumptions used together with an analysis of the sensitivity of the defined benefit scheme liability (£560.3 million at 31 December 2021) to changes in key assumptions.

3. Alternative performance measures

Alternative performance measures (APMs) are disclosed within the consolidated financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group.

Management uses APMs in its own assessment of the Group's performance and in order to plan the allocation of internal capital and resources. Certain APMs are used in the remuneration of management and Executive Directors, as set out in the Directors' Remuneration Report on page 97 to 121.

APMs serve as supplementary information for users of the financial statements and it is not intended that they 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.

Within the notes to the consolidated financial statements, all APMs are identified with a superscript.

Exceptional items

The Group presents as exceptional on the face of the income statement those items of income and expense which, because of their materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand further elements of financial performance in the year. This facilitates comparison with future periods and to assess trends in financial performance over time.

Specifically, in the prior period, management further defined its policy criteria for the recognition of exceptional items in relation to the COVID-19 pandemic.

Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. Adjusted EBITDA margin is Adjusted EBITDA shown as a proportion of revenue.

The Directors regularly use Adjusted EBITDA and Adjusted EBITDA margin as key performance measures in assessing the Group's profitability. The measures are considered useful to users of the financial statements as they represent common APMs used by investors in assessing a company's operating performance, when comparing its performance across periods as well as being used in the determination of Directors' variable remuneration.

A full reconciliation of Adjusted EBITDA is included at the foot of the Group's consolidated statement of comprehensive income within the consolidated financial statements. Adjusted EBITDA margin is included within Note 4.

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest, net of taxation (at the Group's adjusted effective tax rate).

The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial statements in assessing the performance of the Group, when comparing its performance across periods, as well as being used within the determination of Directors' variable remuneration. Additionally, the APM is used by management when determining the proposed level of ordinary dividend.

A full reconciliation is provided in Note 11.

Net debt and Net debt to adjusted EBITDA ("leverage") ratio

Net debt is defined as the sum of cash and cash equivalents less total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16 in order to align with the Group's banking facility covenant definition.

Net debt to adjusted EBITDA is the ratio of net debt to adjusted EBITDA. The net debt to adjusted EBITDA ratio definition removes the benefit of IFRS 16 within adjusted EBITDA so as to align the definition with the Group's banking facility covenant definition.

The Directors disclose these APMs to provide information as a useful measure for assessing the Group's overall level of financial indebtedness and when comparing its performance and position across periods.

Net debt is shown at the foot of the Group consolidated cash flow statement on page 136.

A full reconciliation of the net debt to adjusted EBITDA ratio (also referred to as 'leverage') is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net debt	**(38,872)**	(69,184)
Adjusted EBITDA	**103,053**	52,122
Impact of IFRS 16	**(7,171)**	(6,832)
Adjusted EBITDA prior to IFRS 16	**95,882**	45,290
Ratio of net debt to adjusted EBITDA	**0.4x**	1.5x

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 surplus). The average is calculated using the period end balance and corresponding preceding reported period end balance (year end or interim).

The Directors disclose the ROCE APM in order to provide users of the financial statements with an indication of the relative efficiency of capital use by the Group over the period, assessing performance between periods as well as being used within the determination of executives' variable remuneration.

The calculation of ROCE is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Adjusted EBITDA	**103,053**	52,122
Less depreciation	**(31,409)**	(29,046)
Less amortisation	**(6,940)**	(7,431)
Adjusted earnings before interest and taxation	**64,704**	15,645
Average net debt	**46,169**	85,974
Average equity	**412,761**	394,471
Average pension	**(50,138)**	(52,396)
Average capital employed	**408,792**	428,049
Return on capital employed	**15.8%**	3.7%

Average capital employed figures comprise:

	31 December 2021 £'000	**30 June 2021 £'000**	31 December 2020 £'000	30 June 2020 £'000
Net debt	**38,872**	**53,466**	69,184	102,764
Equity	**423,229**	**402,293**	397,871	391,070
Pension	**57,754**	**42,521**	43,576	61,216

Like-for-like revenue

The like-for-like revenue measure sets out the Concrete segment performance without the contribution of the Longley Concrete operations, which were acquired in July 2019. When comparing the current year's performance with that of 2019, the Directors have included this APM in order to remove the distortions arising from ownership for a period of fewer than 12 months in a comparative period. A reconciliation of like-for-like sales and like-for-like adjusted EBITDA margin is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2019 £'000
Concrete segment revenue	**128,421**	108,787
Contribution from Longley operations	**(22,289)**	(8,328)
Like-for-like Concrete segment revenue	**106,132**	100,459

Like-for-like adjusted EBITDA margin

The like-for-like adjusted EBITDA measure sets out the Concrete segment performance without the contribution of the Longley Concrete operations, which were acquired in July 2019. When comparing the current year's performance with that of 2019, the Directors have included this APM in order to remove the distortions arising from ownership for a period of fewer than 12 months in a comparative period. A reconciliation of like-for-like adjusted EBITDA margin is set out below:

	Year ended 31 December 2021 £'000	Year ended 31 December 2019 £'000
Concrete segment adjusted EBITDA	**21,740**	21,942
Contribution from Longley operations	**(1,272)**	(767)
Like-for-like adjusted EBITDA	**20,468**	21,175
Like-for-like revenue (defined, above)	**106,132**	100,459
Concrete segment like-for-like adjusted EBITDA margin	**19.3%**	21.1%

3. Alternative performance measures continued

Adjusted effective tax rate (ETR)

The Group presents an adjusted effective tax rate (Adjusted ETR) within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the rate of taxation borne by the Group prior to the impact of non-deductible exceptional items (defined above) and the changes in taxation rates on deferred taxation. In the prior year, due to the loss before taxation, the Adjusted ETR was based upon an average rate using the two most recent financial periods. A reconciliation of the adjusted ETR to the statutory rate of taxation in the UK is included in Note 10.

Cash flow related APMs

The Group presents an adjusted cash flow statement within its Financial Review on page 67. This is disclosed in order to provide users of the financial statements with a view of the Group's operating cash generation before the impact of cash flows associated with exceptional items (as set out in Note 5) and with the inclusion of interest, lease payment and property disposal related cash flows.

The Directors use this APM table to allow shareholders to further understand the Group's cash flow performance in the period, to facilitate comparison with future years and to assess trends in financial performance. This table contains a number of APMs, as described below and reconciled in the following table:

Adjusted change in working capital

Adjusted change in working capital represents the statutory change in working capital adding back cash inflows associated with exceptional items arising in the year of £2.0 million (2020: removing cash outflows of £2.7 million).

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted to exclude cash flows relating to exceptional items of £1.7 million (2020: £9.7 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment and lease payments reclassified from investing or financing activities of £12.2 million (2020: £4.1 million).

Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA (defined above). The Directors believe this APM provides a useful measure of the Group's efficiency of its cash management during the period.

Adjusted free cash flow

Adjusted free cash flow represents Adjusted operating cash flow (defined above) less total capital expenditure. The Directors use the measure of Adjusted free cash flow as a measure of the funds available to the Group for the payment of distributions to shareholders, for use within M&A activity and other investing and financing activities.

Reconciliation of statutory cash flow statement to adjusted cash flow statement

Year ended 31 December 2021	Statutory £'000	Exceptional £'000	Reclassification £'000	Adjusted £'000
Adjusted EBITDA	108,283	(5,230)	–	103,053
Change in working capital	3,330	2,028	–	5,358
Impairment charges	(5,797)	5,797	–	–
Net interest	(4,035)	–	(1,563)	(5,598)
Tax	(9,960)	–	–	(9,960)
Post-employment benefits	(789)	–	(961)	(1,750)
Other	(4,530)	(860)	(9,673)	(15,063)
Adjusted operating cash flow	86,502	1,735	(12,197)	76,040
Cash conversion				74%
Total capex	(24,960)	–	–	(24,960)
Adjusted free cash flow	61,542	1,735	(12,197)	51,080

Year ended 31 December 2020	Statutory £'000	Exceptional £'000	Reclassification £'000	Adjusted £'000
Adjusted EBITDA	16,865	35,257	–	52,122
Change in working capital	19,945	(2,650)	–	17,295
Impairment charges	20,382	(20,382)	–	–
Net interest	(4,189)	414	10	(3,765)
Tax	(6,478)	–	–	(6,478)
Post-employment benefits	1,584	(2,902)	(870)	(2,188)
Other	(3,561)	–	(3,220)	(6,781)
Adjusted operating cash flow	44,548	9,737	(4,080)	50,205
Cash conversion				96%
Total capex	(24,072)	–	–	(24,072)
Adjusted free cash flow	20,476	9,737	(4,080)	26,133

4. Segment reporting

The Directors consider the Group's reportable segments to be the Clay and Concrete divisions.

The key Group performance measure is adjusted EBITDA[1], as detailed below, which is defined in Note 3. The tables, below, present revenue and adjusted EBITDA[1] and profit/(loss) before taxation for the Group's operating segments.

Included within the unallocated and elimination columns in the tables below are costs including share based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Eliminations represent the removal of inter-company balances. Transactions between segments are carried out at arm's length. There is no material inter-segmental revenue and no aggregation of segments has been applied.

	Year ended 31 December 2021			
	Clay £'000	Concrete £'000	Unallocated & elimination £'000	Total £'000
Total revenue	**280,235**	**128,421**	**–**	**408,656**
Adjusted EBITDA[1]	**90,634**	**21,740**	**(9,321)**	**103,053**
Adjusted EBITDA margin[1]	***32.3%***	***16.9%***		***25.2%***
Exceptional items[1] impacting operating profit (see Note 5)	5,347	(117)	–	5,230
Depreciation and amortisation pre fair value uplift	(22,101)	(5,981)	(135)	(28,217)
Incremental depreciation and amortisation following fair value uplift	(5,834)	(4,298)	–	(10,132)
Net finance costs	(809)	(202)	(3,981)	(4,992)
Profit/(loss) before tax	**67,237**	**11,142**	**(13,437)**	**64,942**
Taxation				(33,129)
Profit for the year				**31,813**
Consolidated total assets	**547,472**	**145,478**	**63,193**	**756,143**
Consolidated total liabilities	**(155,589)**	**(56,764)**	**(120,561)**	**(332,914)**
Non-current assets				
Consolidated total intangible assets	61,084	33,541	–	94,625
Property, plant and equipment	329,288	46,512	–	375,800
Right-of-use assets	15,438	9,430	246	25,114
Total	**405,810**	**89,483**	**246**	**495,539**
Total non-current asset additions	**30,834**	**6,035**	**–**	**36,869**

Included within the revenue of our Concrete operations during the year ended 31 December 2021 were £1.2 million of bill and hold transactions. At 31 December 2021, £0.7 million of inventory relating to these sales remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£0.9 million), plc Board and other plc employment costs (£5.8 million), pension costs (£1.0 million) and legal/administrative expenses (£3.3 million). These costs have been offset by research and development taxation credits (£1.7 million). During the current year, one customer accounted for greater than 10% of Group revenues with £47.2 million of sales within the Clay division.

4. Segment reporting continued

	Year ended 31 December 2020			
	Clay £'000	Concrete £'000	Unallocated & elimination £'000	Total £'000
Total revenue	213,197	102,975	–	316,172
Adjusted EBITDA[1]	43,968	15,055	(6,901)	52,122
Adjusted EBITDA margin[1]	***20.6%***	***14.6%***		***16.5%***
Exceptional items[1] impacting operating profit (see Note 5)	(29,498)	(2,518)	(3,241)	(35,257)
Depreciation and amortisation pre fair value uplift	(20,056)	(6,454)	(136)	(26,646)
Incremental depreciation and amortisation following fair value uplift	(5,152)	(4,679)	–	(9,831)
Net finance costs	(1,687)	(638)	(2,003)	(4,328)
(Loss)/profit before tax	(12,425)	766	(12,281)	(23,940)
Taxation				(4,081)
Loss for the year				(28,021)
Consolidated total assets	504,106	132,310	43,401	679,817
Consolidated total liabilities	(127,573)	(54,584)	(99,789)	(281,946)
Non-current assets				
Consolidated total intangible assets	57,652	37,511	–	95,163
Property, plant and equipment	325,859	45,536	–	371,395
Right-of-use assets	15,993	10,279	381	26,653
Total	399,504	93,326	381	493,211
Total non-current asset additions	23,610	5,911	–	29,521

Included within the revenue of our Clay operations during the year ended 31 December 2020 were £1.2 million of bill and hold transactions. At 31 December 2020, £0.3 million of inventory relating to these sales remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£0.5 million), plc Board and other plc employment costs (£3.8 million), pension costs (£0.9 million) and legal/administrative expenses (£3.0 million). These costs have been offset by research and development taxation credits (£1.2 million). During the prior year, no one customer accounted for greater than 10% of Group revenues.

5. Exceptional items[1]

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Exceptional income from/(cost of) sales		
Impairment reversal/(charge) – Property, plant and equipment	**5,623**	(16,263)
Impairment reversal/(charge) – Right-of-use assets	**174**	(1,681)
Impairment charge – working capital	–	(2,438)
Total impairment reversal/(charge) (Note 17)	**5,797**	(20,382)
Energy contract losses	–	(5,160)
Redundancy costs	–	(6,073)
Other costs associated with closure of sites	**(2,302)**	(447)
Total exceptional income from/(cost of) sales	**3,495**	(32,062)
Exceptional administrative expenses:		
Pension closure costs – legal and actuarial costs (Note 21)	**–**	(1,902)
GMP equalisation costs (Note 21)	**–**	(1,000)
Redundancy costs	**(100)**	(2,224)
COVID-19 administrative expenses	**(187)**	(818)
Exceptional items relating to discontinued operations	–	(59)
Total exceptional administrative expenses	**(287)**	(6,003)
Exceptional profit on disposal of property, plant and equipment	**2,022**	2,808
Exceptional items[1] impacting operating profit	**5,230**	**(35,257)**
Exceptional finance costs (Note 8)	**–**	(414)
Total exceptional items[1]	**5,230**	**(35,671)**

2021

Included within the current year are the following exceptional items[1]:

Exceptional income from sales

Impairment reversals arose in the current period following the Group's announcements during 2021 to redevelop its Atlas and Nostell manufacturing sites within the Clay segment, together with the decision to retain the leased Northwich administrative facility within the Concrete segment. These decisions utilise assets that were impaired in the prior year following the Group's restructuring programme in response to the deterioration in near-term demand outlook caused by the COVID-19 pandemic. Due to the initial impairment charge treatment as exceptional items, the reversal is similarly categorised as exceptional.

Other costs associated with the closure of sites represent other expenses incurred as a result of the Group's restructuring programme announced during the prior year. These costs include site security, insurance, rates and other standing charges in connection with closed sites. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to them.

Exceptional administration expenses

Exceptional redundancy costs incurred in the current year relate to residual costs of redundancy of employees within the Group's selling, general and administrative (SG&A) functions following the Group's announced restructuring programme in June 2020. The costs are net of saving achieved by the Group as a result of decisions to retain employees, who had initially been notified of redundancy. These net costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

COVID-19 administrative costs in the current period relate to costs incurred in acquiring personal protective and health screening equipment associated with the return to work, and the costs of acquiring information technology equipment to be used in the short-term during the COVID-19 lockdown. These costs were categorised as exceptional in 2H 2020 and 1H 2021 due to the non-recurring nature of the event giving rise to them. It is not expected that similar costs would be treated as exceptional in the future, due to the normalisation of operating conditions.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal in the current year relates to the sale of the Group's surplus property near Kingswinford. The profit on disposal has been categorised as exceptional due to the materiality of the amount recorded.

2020

Included within the prior year are the following exceptional items[1]:

Exceptional cost of sales

Impairment charges arising in the prior year relate to the impairment of non-current assets and working capital items, as set out in Note 17. Due to the materiality and non-recurring nature, these costs were categorised as exceptional.

5. Exceptional items[1] continued

Energy contract losses arose during the prior period as a result of losses on contracts for the purchase of the Group's energy requirements, which due to the COVID-19 lockdown (and consequent sharp reduction in energy usage as the plant network was taken down during 2Q 2020), resulted in contractual energy positions in excess of production needs. These costs were categorised as exceptional due to their anticipated non-recurring nature.

Redundancy costs related to employees engaged in production activities following the Group's announced restructuring activity in response to the deterioration in near-term demand outlook caused by COVID-19. These costs were categorised as exceptional due to their materiality, and the unusual and non-recurring nature of the events giving rise to the costs.

Costs associated with the closure of sites related to other costs incurred as a result of the Group's restructuring decisions during the prior year. These costs included closed site security and decommissioning activities.

Exceptional administration expenses

Pension closure costs which arose in the prior year, comprised legal and actuarial costs associated with the pension data cleansing exercise and subsequent pension buy-in transaction completed as part of the Group's pension de-risking exercise following the closure of the scheme to future accrual from 1 February 2017. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to them.

Guaranteed Minimum Pension (GMP) equalisation costs arose as a result of the High Court ruling in November 2020 requiring pension schemes to revisit individual transfer payments since May 1990 to identify any additional value due as a result of GMP equalisation.

Further detail of exceptional pension related costs is included within Note 21. These pension costs were assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional redundancy costs, which arose in the prior period, related to costs of redundancy of employees within the Group's selling, general and administrative (SG&A) functions following the Group's announced restructuring in June 2020. The costs were treated as exceptional due to their materiality, and the unusual and non-recurring nature of the event giving rise to the costs.

COVID-19 related administrative costs related to costs incurred in acquiring personal protective and health screening equipment associated with the return to work, and the costs of acquiring information technology equipment to be used in the short term during the COVID-19 lockdown. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional items[1] relating to discontinued operations comprised residual costs incurred during the prior year in concluding the disposal of the Group's Glen-Gery operations, which were sold in November 2018.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal in the prior year related to the finalisation of overage payments contained within the sale and purchase agreement associated with the Group's past disposal of its property in Bristol. The profit on disposal was categorised as exceptional due to the materiality of the amounts recorded.

Exceptional finance costs

Exceptional finance costs in the prior year included professional fees associated with the Group's renegotiation of banking covenant requirements and application to join the CCFF (see Note 19), both of which were incurred as a result of the impact of COVID-19 on the Group's financial position and prospects. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Tax on exceptional items[1]

2021

In the current period, the reversal of impairment charges relating to property, plant and equipment and right-of-use assets is not tax deductible but gives rise to a deferred tax charge in the current period.

The costs associated with the closure of sites, COVID-19 administrative expenses and redundancy costs are tax deductible in the current period.

The profit on disposal of property, plant and equipment gives rise to a chargeable gain which is taxable in the current period.

2020

In the prior period, the COVID-19 related energy contract losses, redundancy costs, COVID-19 administrative expenses and exceptional finance costs were all tax deductible.

The working capital impairment costs were also tax deductible, primarily in the current period.

The COVID-19 related impairment charges arising on non-current assets, pension closure costs and GMP equalisation costs are not tax deductible but gave rise to a deferred tax credit in the prior period and as such are not tax rate impacting.

Costs associated with the closure of sites are tax deductible either in the current or a future period. A deferred tax credit was recognised for costs that are tax deductible in a future period.

The profit on disposal of property, plant and equipment gave rise to a chargeable gain which was taxable in the prior period.

Costs associated with the discontinued operations are not tax deductible.

6. Operating profit

Operating profit includes the effect of crediting/(charging):

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Changes in inventories of finished goods and work in progress	**4,384**	(20,531)
Raw material and consumables used	**(77,684)**	(50,060)
Employee benefit expense (Note 7)	**(77,720)**	(65,049)
Depreciation – Property, plant and equipment (Note 13)	**(24,013)**	(21,326)
Depreciation – Right-of-use assets (Note 27)	**(7,396)**	(7,720)
Amortisation (Note 12)	**(6,940)**	(7,431)
Exceptional cost of sales (Note 5)	**3,495**	(32,062)
Other production costs	**(78,293)**	(63,550)
Total cost of sales	**(264,167)**	(267,729)
Transportation expenses	**(38,829)**	(31,427)
Other employee benefit expenses (Note 7)	**(28,171)**	(22,499)
Profit on disposal of property, plant and equipment (Note 13)	**1,638**	113
Advertising costs	**(987)**	(931)
Operating lease income	**157**	198
Exceptional administrative expenses (Note 5)	**(287)**	(6,003)
Exceptional profit on disposal of property, plant and equipment (Note 5)	**2,022**	2,808

Auditor's remuneration

During the year the Group obtained the following services from the Company's auditor.

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Fees payable to the Company's auditor and its associates for the audit of Parent Company and consolidated financial statements:	**180**	180
Fees payable to Company's auditor and its associates for other services to the Group:		
- Audit of the Company's subsidiaries	**599**	530
Total audit fees	**779**	710
- Audit related assurance services	**75**	80
Total non-audit fees	**75**	80

7. Employees and Directors

Employee benefit expenses for the Group during the period:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries – gross	**90,120**	80,853
Furlough payments received	–	(10,482)
Voluntary repayment of furlough payments	**1,759**	–
Wages and salaries – net amount recognised within the income statement	**91,879**	70,371
Social security costs	**8,013**	8,046
Pensions costs – defined benefit plans (Note 21)	**961**	3,772
Pensions costs – defined contribution plans (Note 21)	**4,148**	4,832
Share based payments (Note 26)	**890**	527
	105,891	87,548

In the current year, the Group voluntarily returned £1.8 million (2020: £nil) of furlough funds received during 2020 under the UK Government's Coronavirus Job Retention Scheme (CJRS) in respect of colleagues subsequently made redundant.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Sales staff	**249**	259
Administrative staff	**209**	187
Production staff	**1,648**	1,803
	2,106	2,249

Key management compensation:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Short-term employee benefits	**3,180**	1,617
Post-employment benefits	**216**	207
Share-based payment	**405**	259
	3,801	2,083

Key management personnel has been defined as the Board of Ibstock plc, together with the Group's Executive Leadership Team (ELT). Members of the ELT are set out on page 84 of the Annual Report and Accounts 2021. Details of remuneration for Ibstock plc Directors,including the highest paid director, are presented in the Remuneration Report on pages 97 to 121. The aggregate remuneration of the Directors for the purposes of the financial statements is £2.2 million (year ended 31 December 2020: £1.4 million).

8. Finance costs

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest costs:		
Interest payable on Revolving Credit Facility	**(4,184)**	(3,106)
Interest payable on Private Placement	**(338)**	–
Foreign exchange translations	**(41)**	(459)
Total interest payable on bank borrowings	**(4,563)**	(3,565)
Other interest payable	**(161)**	(110)
Interest expense on financial liabilities at amortised cost	**(4,724)**	(3,675)
Interest on lease liabilities	**(1,107)**	(1,215)
Unwinding of discount on provisions/changes in discount rate (Note 20)	**–**	(762)
Unwinding of discount on contingent consideration	**–**	(39)
Exceptional finance cost (Note 5)	**–**	(414)
Other interest payable	**(1,107)**	(2,430)
Total finance costs	**(5,831)**	(6,105)

2021
In the current year, Revolving Credit Facility (RCF) interest expense comprised £1.7 million of interest on funds drawn down (2020: £2.3 million), £1.0 million of facility commitment fees (2020: £0.3 million) and £1.5 million of deal fee amortisation (2020: £0.5 million). The Group refinanced its debt facilities in November 2021 fully repaying the existing RCF and expensing the remaining capitalised arrangement fees of £0.7 million. These facilities were replaced with the issuance of £100 million of private placement notes from Pricoa Private Capital and a new £125 million RCF facility provided by a syndicate of five banks. See Note 19 for additional disclosure.

2020
Included within the prior year were finance costs in respect of leasing liabilities and associated with the Group's Revolving Credit Facility (see Note 19), which incurred interest at a 1.00% – 2.50% margin during the course of the year and the recognition of interest in respect of leasing liabilities as a result of the implementation of IFRS 16. Additionally, in the year ended 31 December 2020, finance costs of £0.4 million were incurred in relation to the costs of renegotiation of the RCF's covenant requirements and associated with the Group's successful application for qualification for funding under the UK Government's Covid Corporate Financing Facility (CCFF), which were treated as exceptional.

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 2021 £'000	Year ended 31 December 2020 £'000
Interest income:		
Net interest income arising on the UK pension scheme (Note 21)	**527**	1,767
Net unwinding of discount on provisions/change in discount rate (Note 20)	**312**	–
Other interest receivable	**–**	10
Total finance income relating to continuing operations	**839**	1,777

10. Taxation

Analysis of income tax charge

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Current tax on profit/(loss) for the year	**8,726**	1,577
Adjustments in respect of prior period	**(718)**	163
Total current tax	**8,008**	1,740
Deferred tax on profit/(loss) for the year	**2,709**	(5,165)
Impact of change in tax rate	**21,628**	7,667
Adjustments in respect of prior period	**784**	(161)
Total deferred tax	**25,121**	2,341
	33,129	4,081

Income tax recognised within the consolidated statement of other comprehensive income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities: Deferred tax charge/(credit)	**2,525**	(7,927)
Tax adjustments arising on gains and losses relating to cash flow hedges: Deferred tax charge/(credit)	**(14)**	–

Income tax recognised within the consolidated statement of changes in equity

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Current tax credit on share-based payments	**–**	(24)
Deferred tax (credit)/charge on share-based payments	**(35)**	686

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 2021 (2020: 19%). The differences are explained below:

	Year ended 31 December 2021 £'000	Percentage	Year ended 31 December 2020 £'000	Percentage
Profit/(loss) before tax from continuing operations	**64,942**	**100%**	(23,940)	100%
Profit/(loss) before tax multiplied by the rate of corporation tax in the UK	**12,339**	**19.00%**	(4,549)	19.00%
Effects of:				
Expenses not deductible	**510**	**0.79%**	948	(3.96%)
Accounting profit on disposal of property, plant and equipment	**(333)**	**(0.51%)**	–	–
Permanent benefit of super deduction on capital expenditure	**(829)**	**(1.28%)**	–	–
Changes in estimates relating to prior periods	**66**	**0.10%**	2	(0.01%)
Adjusted ETR	**11,753**	**18.10%**	(3,599)	15.03%
Exceptional accounting profit on disposal of property, plant and equipment	**(252)**	**(0.39%)**		
Non-tax deductible exceptional costs associated with discontinued operations	**–**	**–**	13	(0.05%)
Rate change on deferred tax provision	**21,628**	**33.30%**	7,667	(32.03%)
Total taxation expense from continuing operations	**33,129**	**51.01%**	4,081	(17.05%)

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.

On 3 March 2021, the Chancellor of the Exchequer delivered his Budget Statement. The measures announced include an increase in the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023. This rate change gives rise to an increase in the Group's net deferred tax liabilities of £21.6 million. This restatement is recognised in full in the current period and results in an increase in the effective tax rate from 17.7% to 51.0%.

Another key measure announced in the Budget was the introduction of a new temporary enhancement to tax relief on capital expenditure on plant and machinery, known as the 'super-deduction'. This new measure gives rise to both a permanent and timing cash tax benefit in the year of expenditure at the current tax rate of 19%. This overall benefit is reduced in part due to the associated deferred tax liability being recognised at 25%, being the future tax rate at which it is expected to unwind. The overall net tax benefit of the super-deduction is £0.2 million.

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. 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 2021 £'000	Year ended 31 December 2020 £'000
Basic weighted average number of Ordinary Shares	**409,118**	409,333
Effect of share incentive awards and options	**1,494**	1,989
Diluted weighted average number of Ordinary Shares	**410,612**	411,322

The calculation of adjusted earnings per share[1] is a key measurement used by management that is not defined by IFRS. The adjusted earnings per share[1] measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share[1] figures are calculated as the Basic earnings per share adjusted for exceptional items[1], fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the adjusted effective tax rate. A reconciliation of the statutory profit to that used in the adjusted earnings per share[1] calculations is as follows:

	Year ended 31 December 2021 Total 2021 £'000	Year ended 31 December 2020 Total £'000
Profit/(loss) for the period attributable to the Parent shareholders	**31,813**	(28,021)
Add back exceptional items[1] (Note 5)	**(5,230)**	35,671
Add back tax credit on exceptional items[1]	**695**	(6,119)
Add fair value adjustments (Note 4)	**10,132**	9,831
Less tax credit on fair value adjustments	**(1,834)**	(1,693)
Less net non-cash interest	**(606)**	(954)
Add back tax expense on non-cash interest	**110**	164
Add back impact of deferred taxation rate change	**21,628**	7,667
Adjusted profit for the period attributable to the Parent shareholders	**56,708**	16,546

	Year ended 31 December 2021 Total pence	Year ended 31 December 2020 Total pence
Basic EPS on profit/(loss) for the year	**7.8**	(6.8)
Diluted EPS on profit/(loss) for the year	**7.7**	(6.8)
Adjusted basic EPS[1] on profit for the year	**13.9**	4.0
Adjusted diluted EPS[1] on profit for the year	**13.8**	4.0

12. Intangible assets

	Goodwill £'000	Customer contracts and relationships £'000	Brands £'000	Licences £'000	Total £'000
Cost					
At 1 January 2020 and 31 December 2020	2,964	92,868	37,159	–	132,991
Additions in the year	**–**	**–**	**–**	**6,402**	**6,402**
At 31 December 2021	**2,964**	**92,868**	**37,159**	**6,402**	**139,393**
Accumulated amortisation and impairment					
At 1 January 2020	–	(25,893)	(4,504)	–	(30,397)
Charge for the year	–	(6,377)	(1,054)	–	(7,431)
At 31 December 2020	–	(32,270)	(5,558)	–	(37,828)
Charge for the year	**–**	**(5,884)**	**(1,056)**	**–**	**(6,940)**
At 31 December 2021	**–**	**(38,154)**	**(6,614)**	**–**	**(44,768)**
Net book amount					
At 31 December 2020	2,964	60,598	31,601	–	95,163
At 31 December 2021	**2,964**	**54,714**	**30,545**	**6,402**	**94,625**

Amortisation is included within cost of sales in the income statement.

The remaining amortisation period of customer contracts and relationships is five to fifteen years. Licences are expected to be used within one to three years. At 31 December 2021, the remaining amortisation period of brands is outlined below:

Brands	**Net book value at 31 December 2021 £'000**	Remaining amortisation period (years) £'000
Ibstock Brick	**27,627**	43.20
Forticrete	**254**	3.20
Supreme	**1,634**	8.20
Longley	**1,030**	7.60
	30,545	

13. Property, plant and equipment

	Land and buildings £'000	Mineral reserves £'000	Plant, machinery and equipment £'000	Assets in the course of construction (AICC) £'000	Total £'000
Cost					
At 1 January 2020	191,600	74,068	177,914	11,952	455,534
Additions	1,702	966	12,249	8,822	23,739
Transfer to/(from) AICC	1,272	–	4,813	(6,085)	–
Disposals	(1,206)	–	(7,401)	–	(8,607)
At 31 December 2020	193,368	75,034	187,575	14,689	470,666
Additions	1,404	–	19,153	4,086	24,643
Transfer to/(from) AICC	454	–	1,564	(2,018)	–
Transfer to Assets held for sale	(875)	–	–	–	(875)
Disposals	(625)	–	(5,458)	–	(6,083)
At 31 December 2021	**193,726**	**75,034**	**202,834**	**16,757**	**488,351**
Accumulated depreciation & impairment					
At 1 January 2020	(27,065)	(15,606)	(26,608)	–	(69,279)
Charge for the year	(7,230)	(4,459)	(9,637)	–	(21,326)
Disposals	289	–	7,308	–	7,597
Impairment	(8,659)	(1,083)	(6,521)	–	(16,263)
At 31 December 2020	(42,665)	(21,148)	(35,458)	–	(99,271)
Charge for the year	**(6,137)**	**(4,964)**	**(12,912)**	**–**	**(24,013)**
Disposals	**204**	**–**	**4,906**	**–**	**5,110**
Impairment reversal	**5,623**	**–**	**–**	**–**	**5,623**
At 31 December 2021	**(42,975)**	**(26,112)**	**(43,464)**	**–**	**(112,551)**
Net book amount					
At 31 December 2020	150,703	53,886	152,117	14,689	371,395
At 31 December 2021	**150,751**	**48,922**	**159,370**	**16,757**	**375,800**

Management reviews the business performance based on segments reported in Note 4. Details of impairment reversals recognised in the current year are set out in Note 17. In the current year, detailed impairment tests were not conducted as management believed that no indication of impairment of assets existed. A profit on disposal of property, plant and equipment of £3.7 million has been recognised in the year ended 31 December 2021 (year ended 31 December 2020: profit on disposal of £2.9 million). The current year profit on disposal of property, plant and equipment includes £2.0 million (2020: £2.8 million) of exceptional profit, as set out in Note 5.

There are no assets which are used as security.

14. Inventories

	31 December 2021 £'000	31 December 2020 £'000
Raw materials	**27,839**	22,994
Work in progress	**3,019**	2,526
Finished goods	**41,963**	37,866
	72,821	63,386

The replacement cost of inventories is not considered to be materially different from the above values. At 31 December 2021, a provision of £2.8 million (31 December 2020: £5.1 million) is held against the inventory balance.

15. Trade and other receivables

	31 December 2021 £'000	31 December 2020 £'000
Trade receivables	**55,860**	55,441
Provision for impairment of receivables	**(636)**	(691)
Net trade receivables	**55,224**	54,750
Prepayments and accrued income	**5,383**	3,745
Other receivables	**4,149**	411
Total trade and other receivables	**64,756**	58,906

16. Assets held for sale

	31 December 2021 £'000	31 December 2020 £'000
Assets classified as held for sale as of the beginning of the period	**1,186**	1,186
Additions	**875**	–
Disposals	**(1,186)**	–
Assets classified as held for sale as of the end of the period	**875**	1,186

At 31 December 2021, the Group's surplus property at West Hoathly was categorised as held for sale. In the prior year, the Group's surplus property in Staffordshire had been categorised as held for sale. The disposal of this asset was completed in January 2021.

Both the assets were held within the Clay segment.

The fair value of the asset less costs to sell is assessed as exceeding the asset's carrying value, and there were no liabilities directly associated with the asset categorised as held for sale in the prior year.

17. Impairment

In the prior year, as a result of the COVID-19 pandemic and the resulting significant decrease in activity levels across the UK construction industry, management identified indicators of potential impairment and subsequently performed detailed impairment testing across the Group's cash-generating units (CGUs).

This assessment of impairment resulted in the recognition of an exceptional impairment charge of £20,382,000 within cost of sales within the Group consolidated income statement for the year ended 31 December 2020. This impairment of assets valued at historical cost impacted both operating segments of the Group in the prior year as follows:

Year ended 31 December 2020	Property, plant and equipment £'000	Right-of-use assets £'000	Working capital £'000	Total cost of sales £'000
Division				
Clay	16,107	411	2,363	**18,881**
Concrete	156	1,270	75	**1,501**
Total	**16,263**	**1,681**	**2,438**	**20,382**

A detailed test of impairment was not re-performed during the year ended 31 December 2021 as there were no indicators of impairment.

In the current year, the Directors have assessed whether there is any indication that the impairment loss recognised in the prior period may no longer exist or may have decreased.

The Group's announcements in April 2021 and November 2021 regarding the capital expenditure projects at the Atlas and Nostell sites, respectively, represent significant changes with a favourable effect on the assets held at these sites, which were previously impaired. The site redevelopments at Atlas and Nostell increase the estimated service potential from the use of certain assets and the Group has estimated the recoverable amounts relating to these assets recognising an exceptional impairment reversal of £5,623,000 in the year ended 31 December 2021. This reversal recognised in cost of sales arises within the Clay segment.

Additionally, the Group's decision to retain the leased Northwich administrative facility within the Concrete segment triggered an impairment reversal within cost of sales of £174,000 to the related right-of-use asset.

Goodwill

The Group's goodwill balance of £3.0 million, relating to the acquisition of the Longley CGU in July 2019, was tested for impairment at 30 November 2021. Based upon management's detailed testing of the recoverable value of the CGUs to which goodwill is allocated, no impairment was indicated.
Key assumptions used within the testing of goodwill included a pre-tax discount rate of 9.4%, together with a long-term growth rate of 2%. CGU-specific cash flows for the detailed five-year time period used by management contain a revenue compound growth rate of 4.3%.

Based on management's projections, no reasonably possible change in key assumptions within the value-in-use (VIU) calculation supporting the impairment calculation could cause the carrying value of goodwill to exceed its recoverable amount.

18. Trade and other payables

	31 December 2021 £'000	31 December 2020 £'000
Trade payables	**55,120**	53,191
Deferred consideration	–	500
Other tax and social security payable	**9,461**	8,136
Accruals and other payables	**38,551**	23,596
	103,132	85,423

There are no material differences between the fair values and book values stated above. As at 31 December 2021, all items are payable within six months of the balance sheet date. At the prior year end, deferred consideration of £0.5 million related to the consideration payable to the vendor following the acquisition of the Longley businesses completed in July 2019. This deferred consideration was paid in July 2021.

19. Borrowings

	31 December 2021 £'000	31 December 2020 £'000
Current		
Private placement	**333**	–
Revolving Credit Facility	**–**	135
	333	135
Non-current		
Private placement	**99,738**	–
Revolving Credit Facility	**–**	88,601
	99,738	88,601
Total borrowings	**100,071**	88,736

The Group refinanced its debt facilities in the final quarter of 2021 repaying the existing Revolving Credit Facility (RCF) in November 2021 and expensing the remaining capitalised arrangement fees of £0.7 million. This expense is presented within finance costs in the consolidated income statement.

These facilities were replaced with the issuance of £100 million of private placement notes from Pricoa Private Capital, with maturities of between seven and twelve years and an average total cost of funds of 2.19% (range 2.04% – 2.27%). An additional uncommitted shelf facility of up to $88.1 million (or equivalent in available currencies) was agreed. The facility contains debt covenant requirements of leverage (net debt to adjusted EBITDA[1]) and interest cover (adjusted EBITDA[1] to net finance charges) of 3 times and 4 times, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding twelve-month period.

A £125 million RCF facility was provided by a syndicate of five banks for an initial four-year period, with a one-year extension option. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA[1]) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage the Group will pay interest under the RCF initially at a margin of 160bps. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency.

As at 31 December 2020, the Group held an RCF for £215 million. The RCF, which was due to expire in March 2023, attracted interest at LIBOR plus a margin ranging from 200 – 350bps depending upon the ratio of net debt to adjusted EBITDA[1] (prior to the impact of IFRS 16). The facility contained debt covenant requirements of leverage (net debt to adjusted EBITDA[1]) and interest cover (adjusted EBITDA[1] to net finance charge) of 3 times and 4 times, respectively, to be tested semi-annually.

In the prior year, in order to provide appropriate financial flexibility, the Group agreed covenant amendments with its lending banks. Under these amendments, the leverage test as at 30 June 2021 only was amended to no more than 3.75 times net debt to adjusted EBITDA[1]. In the prior year, the Group was confirmed as eligible to access funding under the Covid Corporate Financing Facility (CCFF). The Group did not utilise the CCFF.

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 2021 £'000	31 December 2020 £'000
Restoration (i)	**4,749**	4,575
Dilapidations (ii)	**4,363**	4,913
Restructuring (iii)	**100**	2,406
Other (iv)	**889**	1,641
	10,101	13,535
Current	**1,869**	5,303
Non-current	**8,232**	8,232
	10,101	13,535

	Restoration (i) £'000	Dilapidations (ii) £'000	Restructuring (iii) £'000	Other (iv) £'000	Total £'000
At 1 January 2021	**4,575**	**4,913**	**2,406**	**1,641**	**13,535**
Utilised	**(25)**	**–**	**(2,361)**	**(387)**	**(2,773)**
Charged to the income statement	**360**	**20**	**100**	**10**	**490**
Unwind of discount/change in rate	**(161)**	**(151)**	**–**	**–**	**(312)**
Reversed unused	**–**	**(419)**	**(45)**	**(375)**	**(839)**
At 31 December 2021	**4,749**	**4,363**	**100**	**889**	**10,101**

The current expected timeframe of provision requirements is as follows:

	Restoration (i) £'000	Dilapidations (ii) £'000	Restructuring (iii) £'000	Other (iv) £'000	Total £'000
Within one year	**461**	**419**	**100**	**889**	**1,869**
Between two and five years	**186**	**368**	**–**	**–**	**554**
Between five and ten years	**747**	**2,544**	**–**	**–**	**3,291**
Between ten and twenty years	**1,329**	**955**	**–**	**–**	**2,284**
Over twenty years	**2,026**	**77**	**–**	**–**	**2,103**
	4,749	**4,363**	**100**	**889**	**10,101**

(i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. Provisions are based upon management's best estimate of the ultimate cash outflows. 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 expected year of retirement. Climate change is specifically considered at the planning stage of developments when restoration provisions are initially estimated. This includes projection of costs associated with future water management requirements and the form of the ultimate expected restoration activity. Other changes to legislation, including in relation to climate change, are factored into the provisions when legislation becomes enacted. Estimates are reviewed and updated annually based on the total estimated available reserves and the expected mineral extraction rates. Whilst an element of the total provision will reverse in the short to medium term (one to ten years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a twenty+ year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life. Discount rates used are based upon similarly dated UK Government bond rates.

(ii) Provisions for dilapidations arose as contingent liabilities recognised upon the business combination in the period ended 31 December 2015, are recognised on a lease-by-lease basis and are based on the Group's best estimate of the likely contractual cash outflows, which are estimated to occur over the lease term. Third-party valuation experts are used periodically in the determination of the best estimate of the contractual obligation, with expected cash flows discounted at similarly lived UK Government bond rates.

(iii) The restructuring provision comprises obligations arising as a result of the site closures and associated redundancy costs announced during the year ended 31 December 2020 following the completion of the Group's review of operations. The remaining cost is expected to be incurred within one year of the current year balance sheet date.

(iv) Other provisions include provisions for legal and warranty claim costs, which are expected to be incurred within one year of the balance sheet date.

21. Post-employment benefit obligations

(a) Defined Benefit plan

Analysis of movements in the net obligation during the year:

	31 December 2021 £'000	31 December 2020 £'000
Funded plan at 31 December		
Opening balance	**43,576**	88,656
Charge within labour costs and operating profit	**(961)**	(3,772)
Interest income	**527**	1,767
Remeasurement gain/(loss) recognised in the statement of comprehensive income	**12,862**	(45,263)
Contributions	**1,750**	2,188
Carried forward at 31 December	**57,754**	43,576

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. The Scheme closed to future accrual from 1 February 2017. The Scheme has four participating employers – Ibstock Brick Limited, Forticrete Limited, Anderton Concrete Products Limited and Figgs Bidco Limited – and 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. 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 2021 has been based on the results of the 30 November 2020 valuation, as updated for changes in demographic assumptions, as appropriate.

Through its defined benefit pension plan, the Group is exposed to a number of risks that are inherent in such plans and arrangements. There are, however, no unusual, entity-specific or plan-specific risks, and no significant concentrations of risk. The risks can be summarised as follows:

- 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 approximately 24% return-enhancing/76% 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, as well as insurance policies for the majority of the Scheme's current pensioner members.
- 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.

In the prior year, the Scheme Trustees completed a partial buy-in transaction with a specialist third-party provider. This transaction, which insures just over half of the Group's defined benefit liability, represented a significant step in the Group's continuing strategy of de-risking its pensions exposure. The cover for current pensioners at the date of the transaction attracted a buy-in premium of £338.9 million, which was met by the transfer of certain Scheme-invested assets. The difference between the buy-in premium and the IAS 19 liability for these members has been taken through the consolidated statement of other comprehensive income in the year ended 31 December 2020 as an asset loss (£25.2 million).

21. Post-employment benefit obligations continued

The defined benefit pension scheme (measured under IAS 19 Employee Benefits) is in a net surplus position as the Trust Deed provides Ibstock with an unconditional right to a refund of surplus asset. This assumes the full gradual settlement of plan liabilities over time until all members have left the plan in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustees have no right to unilaterally wind up, or otherwise augment the benefits due to the members of the Scheme. In line with IFRIC 14, a net pension asset has been recognised. The corresponding deferred tax liability should be measured by applying either the standard rate of corporation tax to the taxable temporary difference, or the 35% rate applicable to refunds from pension schemes. As the Directors do not consider it likely that there will be a refund from the Scheme, the deferred tax liability of £14.4 million (2020: £8.3 million) has been measured at the standard rate of corporation tax.

Balance sheet assets/(obligations):

	31 December 2021 £'000	31 December 2020 £'000
Equities	**77,718**	85,337
Liability-driven investment	**108,915**	90,749
Bespoke cash flow-driven investment	**135,431**	139,143
Insured pensioners	**293,253**	320,856
Cash	**2,687**	3,094
Total market value of assets	**618,004**	639,179
Present value of Scheme liabilities	**(560,250)**	(595,603)
Net Scheme asset	**57,754**	43,576

All equities have a quoted market price in an active market, whilst cash and cash equivalents are unquoted. Liability-driven investments (LDI) are funds constructed to reduce the risk within the Scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. Equities are valued at Level 1 in the fair value hierarchy and all other assets held by the Scheme are Level 2 in the hierarchy. The Scheme's LDI fund is managed by BMO. It is predominantly unquoted and is set up as a 'bespoke pooled fund' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the Scheme's other assets and cash flows. To reduce volatility risk, an LDI strategy forms part of the Trustees' management of the Scheme assets, comprising UK gilts, repurchase agreements and derivatives. At 31 December 2021, the LDI had a net asset value of £108.9 million (2020: £90.7 million). The liabilities comprised repurchase agreements, which are entered into to better offset the Scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Additionally, in a prior year, the Group restructured its bond holdings and entered into a bespoke cash flow-driven investment held with M&G Investment Managers in order to provide a flow of income to the Scheme and meet the liability requirements. This investment is structured in such a way as to satisfy the requirements of the Ibstock Scheme member population.

The amounts recognised in the income statement are:

	31 December 2021 £'000	31 December 2020 £'000
Administrative expenses	**961**	870
Exceptional administrative expenses (Note 5)	**–**	1,902
Exceptional past service cost (Note 5)	**–**	1,000
Defined contribution scheme costs (Note 21b)	**4,148**	4,832
Charge within labour costs and operating profit	**5,109**	8,604
Interest income	**(527)**	(1,767)
Total charge to the income statement	**4,582**	6,837

On 20 November 2020, the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of Guaranteed Minimum Pension (GMP) equalisation. This latest judgement follows just over two years on from the landmark case which confirmed that schemes need to equalise pensions for the effects of unequal GMPs. The most recent ruling is expected to increase benefits for some members. This increased liabilities by £1.0 million in the prior year. The increase was allowed for as an exceptional past service cost in the expense recognised in the income statement for the year ended 31 December 2020.

Remeasurements recognised in the statement of comprehensive income:

	31 December 2021 £'000	31 December 2020 £'000
Remeasurement (loss)/gain on defined benefit scheme assets	**(6,195)**	36,859
Remeasurement gain/(loss) from changes in financial assumptions	**36,925**	(89,088)
Remeasurement (loss)/gain from changes in demographic assumptions	**(1,266)**	3,750
Experience (losses)/gains	**(16,602)**	3,216
Other comprehensive income/(expense)	**12,862**	(45,263)

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

	31 December 2021 £'000	31 December 2020 £'000
Present value of defined benefit obligation at beginning of year	**(595,603)**	(537,293)
Past service cost	**–**	(1,000)
Interest cost	**(7,008)**	(10,396)
Experience (losses)/gains	**(16,602)**	3,216
Benefits paid	**23,304**	35,208
Remeasurement gain/(loss) arising from change in financial assumptions	**36,925**	(89,088)
Remeasurement (loss)/gain arising from change in demographic assumptions	**(1,266)**	3,750
Present value of defined benefit obligations carried forward at 31 December	**(560,250)**	(595,603)

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

	31 December 2021 £'000	31 December 2020 £'000
Fair value of pension scheme assets at beginning of the year	**639,179**	625,949
Interest income	**7,535**	12,163
Remeasurement (loss)/gain on pension scheme assets	**(6,195)**	36,859
Employer contributions	**1,750**	2,188
Benefits paid	**(23,304)**	(35,208)
Administrative expenses	**(961)**	(2,772)
Fair value of pension scheme assets carried forward	**618,004**	639,179

Plan assets are comprised as follows:

	31 December 2021			
	Quoted £'000	Unquoted £'000	Total £'000	% £'000
Equity instruments	**77,718**	–	**77,718**	
– UK equities	**21,347**	–	**21,347**	**3%**
– Overseas equities	**56,371**	–	**56,371**	**9%**
Liability-driven investment	–	**108,915**	**108,915**	**18%**
Bespoke cash flow-driven investment	**99,683**	**35,748**	**135,431**	**22%**
Insured pensioners	–	**293,253**	**293,253**	**47%**
Cash and net current assets	–	**2,687**	**2,687**	**1%**
Total	**177,401**	**440,603**	**618,004**	**100%**

	31 December 2020			
	Quoted £'000	Unquoted £'000	Total £'000	% £'000
Equity instruments	85,337	–	85,337	
– UK equities	18,619	–	18,619	3%
– Overseas equities	66,718	–	66,718	10%
Liability-driven investment	–	90,749	90,749	14%
Bespoke cash flow-driven investment	107,997	31,146	139,143	22%
Insured pensioners	–	320,856	320,856	50%
Cash and net current assets	–	3,094	3,094	1%
Total	193,334	445,845	639,179	100%

21. Post-employment benefit obligations continued

During the year ended 31 December 2021, based on the previous valuation (as at November 2017), a contribution of £1.75 million was made by the Company in line with the payment schedule agreed with the Trustees of the Ibstock Pension Scheme so that the Scheme's deficit could be eliminated. This schedule of contributions is revisited each time the funding valuation is finalised. Under an updated agreement with the Scheme's trustees, a contribution level of £1.75 million per annum continues to apply from February 2022, increasing to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024 until a subsequent valuation and any revised contribution level is agreed. The updated agreement also includes certain provisions to increase contributions to £2.5 million in the event of a material deterioration in the Scheme's financial position.

The weighted average duration of the defined benefit obligation is 18 years (2020: 18 years). In the year ended 31 December 2020, other costs related to the closure of the Scheme to future accrual and activities to de-risk the Scheme in preparation for a buy-in of £1.9 million were incurred and classified as exceptional (see Note 5).

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

	31 December 2021 Per annum	31 December 2020 Per annum
Discount rate	**1.80%**	1.20%
RPI inflation	**3.40%**	2.90%
CPI inflation	**2.70%**	2.20%
Rate of increase in salary	**N/A**	N/A
Rate of increase in pensions in payment	**3.75%**	3.50%
Commutation factors	**17.31**	17.31
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	**21.8 years**	21.6 years
For a female currently aged 65	**24.5 years**	23.9 years
For a male currently aged 40	**23.6 years**	23.5 years
For a female currently aged 40	**26.3 years**	25.9 years

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e. 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in Sterling and have a maturity in line with the duration of Scheme liabilities. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2021 would decrease/increase by approximately 4%.

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

	31 December 2021 £'000	31 December 2020 £'000
Present value of defined benefit obligations at 31 December	**(560,250)**	(595,603)
0.25% increase in discount rate	**23,432**	28,983
0.25% decrease in discount rate	**(25,009)**	(31,012)
0.25% increase in pension growth rate	**(16,617)**	(15,233)
0.25% decrease in pension growth rate	**15,859**	14,642
0.25% increase in inflation rate	**(12,074)**	(15,804)
0.25% decrease in inflation rate	**14,748**	17,135
1 year increase in life expectancy	**(28,310)**	(25,960)
1 year decrease in life expectancy	**27,711**	25,720

(b) Defined contribution plan

The Group operates defined contribution schemes under the Ibstock Pension Scheme, the Supreme Concrete Limited Pension Scheme, the Anderton Concrete Pension Scheme, the Supreme Concrete Group Personal Plan and the Longley Concrete Pension scheme. Contributions by both employees and Group companies are held in externally invested, externally administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the Scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £4.1 million (year ended 31 December 2020: £4.8 million).

22. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2021 £'000	31 December 2020 £'000
Net deferred tax liability at beginning of period	**(64,755)**	(69,655)
Tax charged to the consolidated income statement	**(25,121)**	(2,341)
Tax (charged)/credited within other comprehensive income	**(2,511)**	7,927
Tax credited/(charged) directly to equity	**35**	(686)
Net deferred tax liability at period end	**(92,352)**	(64,755)
Presented in the consolidated balance sheet after offset as:		
Deferred tax assets	**–**	–
Deferred tax liabilities	**(92,352)**	(64,755)
	(92,352)	(64,755)
Deferred tax assets and liabilities before offsetting of balances within the same tax jurisdiction are as follows:		
Deferred tax assets	**4,008**	3,688
Deferred tax liabilities	**(96,360)**	(68,443)
Net deferred tax liability at period end	**(92,352)**	(64,755)
Deferred tax assets expected to unwind within one year	**404**	233
Deferred tax assets expected to unwind after one year	**3,604**	3,455
	4,008	3,688
Deferred tax liabilities expected to unwind within one year	**(1,936)**	(1,703)
Deferred tax liabilities expected to unwind after one year	**(94,424)**	(66,740)
	(96,360)	(68,443)

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

		Year ended 31 December 2021				As at 31 December 2021		
Deferred tax assets/(liabilities)	Net balance at 1 January 2021 £'000	Arising on business combination £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed assets	**(17,518)**	**–**	**(3,277)**	**–**	**–**	**(20,795)**	**–**	**(20,795)**
Tangible fixed assets	**(40,307)**	**–**	**(18,004)**	**–**	**–**	**(58,311)**	**116**	**(58,427)**
Right-of-use assets	**406**	**–**	**104**	**–**	**–**	**510**	**510**	**–**
Rolled-over and held-over capital gains	**(2,051)**	**–**	**(648)**	**–**	**–**	**(2,699)**	**–**	**(2,699)**
Employee pension liabilities	**(8,279)**	**–**	**(3,635)**	**(2,525)**	**–**	**(14,439)**	**–**	**(14,439)**
Provisions	**2,692**	**–**	**286**	**–**	**–**	**2,978**	**2,978**	**–**
Share incentive plans	**302**	**–**	**53**	**–**	**35**	**390**	**390**	**–**
Share incentive plans	**–**	**–**	**–**	**14**	**–**	**14**	**14**	**–**
Deferred tax assets/(liabilities) before offsetting	**(64,755)**	**–**	**(25,121)**	**(2,511)**	**35**	**(92,352)**	**4,008**	**(96,360)**
Offset of balances within the same tax jurisdiction							**(4,008)**	**4,008**
Net deferred tax liabilities							**–**	**(92,352)**

22. Deferred tax assets/liabilities continued

	Year ended 31 December 2020					As at 31 December 2020		
Deferred tax assets/(liabilities)	Net balance at 1 January 2020 £'000	Arising on business combination £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed assets	(16,971)	–	(547)	–	–	(17,518)	–	(17,518)
Tangible fixed assets	(38,612)	–	(1,695)	–	–	(40,307)	288	(40,595)
Right-of-use assets	16	–	390	–	–	406	406	–
Rolled-over and held-over capital gains	(1,835)	–	(216)	–	–	(2,051)	–	(2,051)
Employee pension liabilities	(15,072)	–	(1,134)	7,927	–	(8,279)	–	(8,279)
Provisions	1,573	–	1,119	–	–	2,692	2,692	–
Share incentive plans	1,246	–	(258)	–	(686)	302	302	–
Deferred tax assets/(liabilities) before offsetting	(69,655)	–	(2,341)	7,927	(686)	(64,755)	3,688	(68,443)
Offset of balances within the same tax jurisdiction							(3,688)	3,688
Net deferred tax liabilities							–	(64,755)

There are no unrecognised deferred tax assets or liabilities as at 31 December 2021 or the prior year end.

23. Financial instruments – risk management

Financial assets

	31 December 2021 £'000	31 December 2020 £'000
Trade and other receivables (Note 15)	**58,822**	54,879
Cash and cash equivalents	**61,199**	19,552
Total	**120,021**	74,431

Financial liabilities

	31 December 2021 £'000	31 December 2020 £'000
Trade and other payables (Note 18)	**93,671**	77,287
Derivative financial instruments	**74**	–
Lease liabilities (Note 27)	**27,184**	29,076
Borrowings (Note 19)	**100,071**	88,736
Total	**221,000**	195,099

With the exception of the Group's derivative financial instruments, see below, all financial assets and liabilities are held at amortised cost.

Credit risk

Credit risk arises from cash and cash equivalents, trade receivables 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 level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence. The Group also maintains credit insurance.

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 ageing analysis of the trade receivables (from date of past due) assessed for impairment, but concluded as no impairment is required, is as follows:

	31 December 2021 £'000	31 December 2020 £'000
Not past due	**31,393**	28,466
Less than one month past due	**18,280**	17,204
One to six months past due	**8,499**	8,695
Six to twelve months past due	**568**	335
More than 12 months past due	**82**	50
	58,822	54,750

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

	31 December 2021 £'000	31 December 2020 £'000
Less than one month past due	**39**	81
One to six months past due	**79**	30
Six to twelve months past due	**462**	548
More than 12 months past due	**56**	32
	636	691

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

	31 December 2021 £'000	31 December 2020 £'000
Opening balance	**(691)**	(288)
Charged to the income statement	**(125)**	(643)
Utilised	**–**	240
Released	**180**	–
Exchange movements	**–**	–
Closing impairment provision	**(636)**	(691)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is £55.9 million (2020: £55.4 million).

Other financial assets at amortised cost are insignificant and the associated credit risk is considered immaterial.

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. The Group's interest rate risk arises principally from the Revolving Credit Facility, which attracts floating rate interest, see Note 19. The Group manages its interest rate risk through the use of the fixed rate Private Placement in addition to using this floating rate RCF debt with varying repayment terms. The Group does not trade in derivative financial instruments and is not considered to be significantly exposed to this and other price risks. The exposure to currency risk is considered low.

Interest rate sensitivity analysis:

For the Group's borrowings, sensitivity analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 percentage points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25 percentage points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease/increase by £0.2 million (2020: decrease/increase by £0.3 million), which is attributable to the Group's exposure to interest rates on its variable rate borrowings. Interest rate sensitivity at 31 December 2021 has reduced as the carrying value of the Private Placement borrowings and the related service costs do not change as interest rates move.

23. Financial instruments – risk management continued

The exposure in different currencies of financial assets and liabilities is as follows:

At 31 December 2021	Sterling £'000	US Dollar £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Cash and cash equivalents	**60,165**	**2**	**1,032**	**–**	**61,199**
Trade and other receivables (Note 15)	**57,911**	**–**	**911**	**–**	**58,822**
	118,076	**2**	**1,943**	**–**	**120,021**
Financial liabilities					
Derivative financial instruments	**(74)**	**–**	**–**	**–**	**(74)**
Borrowings (Note 19)	**(100,071)**	**–**	**–**	**–**	**(100,071)**
Lease liabilities (Note 27)	**(27,184)**	**–**	**–**	**–**	**(27,184)**
Trade and other payables (Note 18)	**(92,491)**	**(24)**	**(1,095)**	**(61)**	**(93,671)**
	(219,820)	**(24)**	**(1,095)**	**(61)**	**(221,000)**

At 31 December 2020	Sterling £'000	US Dollar £'000	Euro £'000	Other £'000	Total £'000
Financial assets					
Cash and cash equivalents	19,265	69	218	–	19,552
Trade and other receivables (Note 15)	54,879	–	–	–	54,879
	74,144	69	218	–	74,431
Financial liabilities					
Borrowings (Note 19)	(88,736)	–	–	–	(88,736)
Lease liabilities (Note 27)	(29,076)	–	–	–	(29,076)
Trade and other payables (Note 18)	(75,690)	(289)	(1,295)	(13)	(77,287)
	(193,502)	(289)	(1,295)	(13)	(195,099)

There are no material differences between the fair values and the book values stated above.

At 31 December 2021, 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 monitors cash flow forecasts to ensure the Group has adequate borrowing facilities. Excess cash is placed on interest-bearing deposits with maturity fixed at no more than three months.

The maturity of the Group's borrowings is as follows:

At 31 December 2021	Less than six months £'000	Six months to one year £'000	One to two years £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings						
Borrowings	**333**	**–**	**–**	**–**	**99,738**	**100,071**
Total	**333**	**–**	**–**	**–**	**99,738**	**100,071**

At 31 December 2020	Less than six months £'000	Six months to one year £'000	One to two years £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings						
Borrowings	135	–	–	88,601	–	88,736
Total	135	–	–	88,601	–	88,736

At 31 December 2020, the Group had a £215 million RCF facility. The facility was utilised throughout the prior year and current year until the point of refinancing, resulting in an interest charge of £4,220,000 (2020: £3,565,000). During the prior year, the Group was confirmed as eligible to access funding under the Government's Covid Corporate Financing Facility (CCFF), although this facility remained undrawn. See Note 19 for further details.

For details of the maturity of other financial liabilities, see Notes 18 and 27.

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

At 31 December 2021	Less than one year £'000	One to two years £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Borrowings	**2,840**	**2,840**	**7,871**	**109,575**	**123,126**
Total	**2,840**	**2,840**	**7,871**	**109,575**	**123,126**

At 31 December 2020	Less than one year £'000	One to two years £'000	Two to five years £'000	Greater than five years £'000	Total £'000
Borrowings					
Borrowings	3,281	3,275	90,583	–	97,139
Total	3,281	3,275	90,583	–	97,139

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).

Derivative financial instruments

The Group entered into forward currency contracts as cash flow hedges in November 2021 to manage its exposure of foreign currency fluctuations associated with the future purchase of plant and equipment required for the construction of the major capital expenditure projects announced in the year. These instruments are measured at fair value using Level 2 valuation techniques subsequent to initial recognition.

At 31 December 2021, a liability valued at £74,000 was recognised for these derivative financial instruments. No amounts have been reclassified to profit or loss as a result of the hedged cash flow during the year. The cash flow hedging reserve within equity includes an accumulated amount of £74,000 (2020: £nil) relating to these derivative financial instruments.

At 31 December 2021 and 31 December 2020, all of the Group's fair value measurements have been categorised as Level 2 with the exception of (i) certain equities within the Group's pension scheme, which were categorised as Level 1 valuations and (ii) the insured pensioner asset, which was categorised as a Level 3 valuation and uses assumptions set out in Note 21 to align its valuation to the related liability. During the year ended 31 December 2020, the Group's forward energy contracts were fair valued and categorised as Level 2. At 31 December 2020 and 2021, no energy contracts were subject to fair valuation.

Capital risk management

The capital structure of the Group consists of net debt[1] (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, as set out in Note 19. 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

In line with our capital allocation framework, we will look to pay ordinary dividends in line with a targeted cover of approximately 2 times adjusted profit after tax. These are expected to grow over time in line with the Group's earnings. This adjusted profit measure can be seen in Note 11 to the Group financial statements. After investing to maintain, enhance and grow our assets, we will return surplus capital to shareholders.

In the current year, the Board is recommending a final ordinary dividend of 5.0 pence per share for the 2021 year (2020: 1.6 pence per share). At 31 December 2021, the Parent maintains significant distributable reserves of c.£384 million (2020: c.£410 million). See Note 31 for further detail.

24. Share capital

	Number of shares	Share Capital £'000
At 1 January 2020		
Issued, called-up and fully paid:		
Ordinary Shares of £0.01 each	409,259,785	4,093
Issue of Ordinary Shares of £0.01 each	300,000	3
At 31 December 2020	409,559,785	4,096
Issue of Ordinary Shares of £0.01 each	**71,809**	–
At 31 December 2021	**409,631,594**	**4,096**
Comprising:		
Issued, called-up and fully paid:		
Ordinary Shares of £0.01 each	**409,631,594**	**4,096**

In the year ended 31 December 2021, share capital increased by 71,809 shares (2020: 300,000 shares) as a result of the issue of Ordinary Share capital of £0.01 each in order to satisfy share options exercises. The Company does not have a limited amount of authorised capital.

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 (2021: £4.5 million; 2020: £4.3 million).

Cash flow hedging reserve

The cash flow hedging reserve shown as a deduction from shareholders' equity of £0.1 million (2020: £nil) arose in the current year on derivative financial instruments, as set out in Note 23. The accumulated balance in the cash flow hedging reserve will be reclassified to the cost of the designated hedged item in a future period.

Merger reserve

The merger reserve of £369.1 million 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 £1.7 million at 31 December 2021 (31 December 2020: £0.9 million). These shares represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

26. Share incentive plans

Share based payment charges:

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Long Term Incentive Plan 26(a))	**480**	310
Share Option Plan (26(b))	**28**	51
Senior Manager Share Plan (26(c))	**59**	–
Annual and Deferred Bonus Plan (26(d))	**29**	85
Save As You Earn (26(e))	**294**	81
	890	527

Executive share option plans

The Group operates a number of share based payment awards for selected management.

(a) Long-Term Incentive Programme (LTIP)

The Group granted LTIPs during the year for Executive Directors and other 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 Total Shareholder Return (TSR), adjusted earnings per share[1] (EPS), return on capital employed[1] (ROCE) and certain environmental, social and governance (ESG) targets. Please refer to the information given in the Directors' Remuneration Report on pages 97 to 121 for details in relation to the vesting conditions in relation to the LTIP.

During the year, 894,350 options (2020: 1,042,791) over Ordinary Shares of 1 pence each were granted to management under the LTIP and no shares were exercised (2020: 364,111 were exercised at a weighted average share price at the date of exercise of 197 pence). During the year ended 31 December 2021, 460,893 options (2020: 650,836) lapsed and at 31 December 2021, the weighted average contractual life remaining was 1.4 years (2020: 1.5 years).

(b) Share Option Plan (SOP)

The Group maintains a Share Option Plan at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. During the years ended 31 December 2021 and 31 December 2020, no options were granted to management under the SOP.

In the year ended 31 December 2021, 150,524 options (2020: 41,603) were exercised under the historical SOP awards at a weighted average share price at the date of exercise of 233 pence (2020: 308 pence). In the year ended 31 December 2021, 142,752 options (2020: 141,171 options) lapsed. The weighted average exercise price of options outstanding is 243 pence (2020: 239 pence). At 31 December 2021, the weighted average contractual life remaining was 0.1 years (2020: 0.4 years). The SOP has an employment condition of three years and no other performance conditions.

(c) Senior Manager Share Plan (SMSP)

During the year ended 31 December 2021, the Group introduced the SMSP for certain members of management. Awards under the scheme are granted in the form of nil-priced share options. The SMSP awards contain performance conditions dependent upon the growth of the Group's adjusted EBITDA[1]. The SMSP has an employment condition of two years.

In the year ended 31 December 2021, 98,831 options over Ordinary Shares of 1 pence each were granted to management under the SMSP. No awards were exercised in the current year, but 3,555 options lapsed. At 31 December 2021, the weighted average contractual life remaining was 1.3 years.

(d) 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 2021, no options (2020: 90,555 options) were awarded over Ordinary Shares under the ADBP in relation to the prior year end bonus. 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 year ended 31 December 2021, 118,474 options (2020: 77,794 options) were exercised under the ADBP at a weighted average share price at the date of exercise of 222 pence (2020: 204 pence). At 31 December 2021, the weighted average contractual life remaining was 0.4 years (2020: 1.0 years). In the current year, no options lapsed (2020: 7,357 options) and at 31 December 2021, an amount of £97,000 (2020: £nil) had been recorded in accruals for the award relating to the bonus earned for the year ended 31 December 2021.

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 and Share Incentive Plan awards:

(e) Save As You Earn (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-year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary Shares of 1 pence each under the Sharesave Plan at a specified exercise price.

In the year ended 31 December 2021, 3,724,859 awards were issued under this scheme (2020: nil). In the current year, 1,005,195 options (2020: 301,687) lapsed and 54,992 shares were exercised (2020: nil) at a weighted average exercise price of 230 pence. As at 31 December 2021, the weighted average exercise price of outstanding options was 176 pence (2020: 230 pence) and the remaining option life was 2.4 years (2020: 0.3 years).

(f) Share Incentive Plan (SIP)

Following the Group's Initial Public Offering, the Company announced a SIP. 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 had a three-year employment condition and no further vesting conditions. In the year ended 31 December 2021, 18,550 shares lapsed (2020: 1,650) and 80,900 shares were exercised (2020: 47,050) at a weighted average share price at date of exercise of 225 pence (2020: 189 pence).

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 2021 are detailed below:

	SAYE	LTIP	SMSP
Grant date	14/04/21	25/03/21	29/4/21
Share price at grant date	£2.28	£2.18	£2.22
Exercise price	£1.76	nil	nil
Number of shares issued	3,724,859	894,350	98,831
Vesting period	3 years	3 years	2 years
Pricing model	Binomial	Monte Carlo	Share price
% expected to vest	60%	80%	80%
Expected share price volatility	38.41%	39.9%	N/A
Expected dividend yield	3.64%	N/A	N/A
Expected option life	3.4 years	3 years	2 years
Fair value per share	£0.67	£1.69	£2.22
Risk-free rate	0.18%	0.05%	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 2021	**3,081,109**	**1,037,076**
Awards granted	**1,027,837**	**3,724,859**
Awards exercised	**(268,998)**	**(135,892)**
Awards lapsed/forfeited	**(607,200)**	**(1,023,745)**
Awards outstanding at 31 December 2021	**3,232,748**	**3,602,298**

The expected volatility level has been calculated using historical daily data over a term commensurate with the expected life of each award.

27. Leases and commitments

Amounts recognised within the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021 £'000	31 December 2020 £'000
Right-of-use assets		
Buildings	**14,980**	16,665
Equipment	**7,428**	6,157
Vehicles	**2,706**	3,831
Total right-of-use assets	**25,114**	26,653
Lease liabilities		
Less than six months	**(3,966)**	(3,326)
Six months to one year	**(2,894)**	(3,402)
Current	**(6,860)**	(6,728)
One to two years	**(5,184)**	(4,920)
Two to five years	**(8,941)**	(9,254)
Greater than five years	**(6,199)**	(8,174)
Non-current	**(20,324)**	(22,348)
Total lease liabilities	**(27,184)**	(29,076)

Movement in right-of-use asset:

	Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2020	20,503	13,510	2,937	36,950
Additions	2,170	–	3,643	5,813
Disposals	–	(238)	–	(238)
At 31 December 2020	22,673	13,272	6,580	42,525
Additions	**327**	**4,421**	**1,076**	**5,824**
Disposals	**–**	**–**	**(141)**	**(141)**
At 31 December 2021	**23,000**	**17,693**	**7,515**	**48,208**
Accumulated depreciation & impairment				
At 1 January 2020	(2,492)	(3,599)	(380)	(6,471)
Charge for the year	(2,246)	(3,105)	(2,369)	(7,720)
Impairment	(1,270)	(411)	–	(1,681)
At 31 December 2020	(6,008)	(7,115)	(2,749)	(15,872)
Impairment reversal	**174**	**–**	**–**	**174**
Charge for the year	**(2,186)**	**(3,150)**	**(2,060)**	**(7,396)**
At 31 December 2021	**(8,020)**	**(10,265)**	**(4,809)**	**(23,094)**
Net book amount				
At 31 December 2020	16,665	6,157	3,831	26,653
At 31 December 2021	**14,980**	**7,428**	**2,706**	**25,114**

Movement in lease liabilities:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
As at 1 January 2021	**(29,076)**	(30,361)
Additions	**(5,824)**	(5,783)
Disposals	**141**	220
Interest payments	**(1,107)**	(1,215)
Cash rental payments	**8,682**	8,063
As at 31 December 2021	**(27,184)**	(29,076)

Amounts recognised within the consolidated income statement

Depreciation charge of right-of-use assets

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Buildings	**2,186**	2,246
Equipment	**3,150**	3,105
Vehicles	**2,058**	2,369
	7,396	7,720
Impairment (reversal)/charge	**(174)**	1,681
Depreciation expense (included within cost of sales)	**7,222**	9,401
Interest expense (included within finance costs)	**1,107**	1,215

In the year ended 31 December 2021, the benefit to Adjusted EBITDA[1] as a result of IFRS 16 leases was £7.2 million (2020: £6.8 million). Operating lease charges now expensed via depreciation increased by £6.2 million (2020: £6.1 million) and interest by £1.0 million (2020: £1.1 million) resulting in a net reduction in profit before taxation of £0.1 million (2020: £0.3 million).

27. Leases and commitments continued

The Group is lessee on a number of properties in addition to plant and machinery which it uses in its operations. The operating leases run for a variety of terms and their non-cancellable commitments are set out above. There is no material contingent rent payable, renewal or purchase options, escalation clauses or restrictions imposed by the lease agreements.

The Group as lessor

The Group 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 as follows:

	31 December 2021 £'000	31 December 2020 £'000
Within one year	**64**	67
Between one and five years	**41**	78
After five years	**–**	–
	105	145

Capital commitments
Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	31 December 2021 £'000	31 December 2020 £'000
Amount contracted for, which has not been provided	**57,356**	11,756

At 31 December 2021, under a letter of intent entered into in December 2021, the Group acted as guarantor to a number of lease agreements with a third party supplier. These agreements are expected to result in delivery of leased assets during 2022 and require the Group to recognise related right-of-use assets, estimated to be valued at approximately £9 million.

28. Notes to the Group cash flow statement

Cash flows from operating activities	31 December 2021 £'000	31 December 2020 £'000
Profit/(loss) before taxation	**64,942**	(23,940)
Adjustments for:		
Depreciation	**31,409**	29,046
Asset impairment (reversal)/charge – property, plant and equipment	**(5,623)**	16,263
Asset impairment (reversal)/charge – right-of-use assets	**(174)**	1,681
Asset impairment charge – working capital	**–**	2,438
Amortisation of intangible assets	**6,940**	7,431
Net finance costs	**4,992**	4,328
Gain on disposal of property, plant and equipment	**(3,660)**	(2,921)
Research and development expenditure credit	**(1,673)**	(1,167)
Share based payments	**890**	527
Post-employment benefits	**(789)**	1,584
Other	**(87)**	–
	97,167	35,270
(Increase)/decrease in inventory	**(9,435)**	18,503
Increase in debtors	**(2,617)**	(877)
Increase/(decrease) in creditors	**18,504**	(2,537)
(Decrease)/increase in provisions	**(3,122)**	4,856
Cash generated from operations	**100,497**	55,215

During the prior year, Government assistance of £10,482,000 was received in relation to the Coronavirus Job Retention Scheme (CJRS) and payment of taxes totalling £16,525,000 relating to employment taxes, income taxes and value added tax were deferred. All deferred amounts were fully settled as at 31 December 2020. No Government assistance or payment deferrals arose during the current year although the Group voluntarily returned £1,759,000 (2020: £nil) of furlough funds received during 2020 under the CJRS in respect of colleagues subsequently made redundant.

29. Group subsidiaries

Ibstock plc had the following subsidiaries as at 31 December 2021:

Entity	Principal activity	Registration number	Country of incorporation	Proportion of Ordinary Shares held directly by the parent	Proportion of Ordinary Shares held by the Group
Ibstock Building Products Ltd[1]	Holding Company	09329395	UK	100%	100%
Figgs Bidco Ltd	Holding Company	09332893	UK	100%	100%
Ibstock USA Ltd[3]	Non-trading	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	Non-trading	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	Sale of clay bricks and manufacture and sale of associated special shaped and fabricated clay products	00063230	UK	100%	100%
Ibstock Manufacturing Services Ltd	Brick manufacturer	12292985	UK	100%	100%
Ibstock Leasing Ltd	Intergroup leasing entity	05378321	UK	100%	100%
Ibstock Management Services Ltd[2]	Dormant	11953	Jersey	100%	100%
Ibstock Finance Co Ltd[2]	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	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	Dormant	06932047	UK	100%	100%
Loopfire Systems Ltd	Dormant	04105160	UK	100%	100%
Longley Holdings Ltd	Holding Company	02027916	UK	100%	100%
Longley Precast Ltd	Dormant	00888875	UK	100%	100%
Longley Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	00440463	UK	100%	100%

1 Ibstock Building Products Ltd is owned directly by Ibstock plc. All other companies are indirectly owned.

All entities have a place of business in the UK. The registered office address for all entities is the same as for the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire, LE67 6HS except those subsidiary entities with the following numerical superscript: 2 – 47 Esplanade, St Hellier, Jersey, Channel Isles, JE1 0BD.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of Ordinary Shares held. At 31 December 2021, the Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

3 Ibstock USA Ltd was renamed as Ibstock Telling GRC Ltd on 28 January 2022.

30. Related party transactions

Balances and transactions between Ibstock plc (the ultimate Parent) and its subsidiaries (listed in Note 29), which are related parties, are eliminated on consolidation and are not disclosed in this note.

See Note 7 for details of Director and key management personnel remuneration.

There are no further related party transactions nor any related party balances in either the 2021 or 2020 financial years.

31. Dividends paid and proposed

Cash flows from operating activities	**31 December 2021 £'000**	31 December 2020 £'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Final dividend for 2020: 1.6 pence (2019: nil)	**6,547**	–
Interim dividend for 2021: 2.5 pence (2020: nil)	**10,233**	–
	16,780	–
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2021: 5.0 pence (2020: 1.6 pence)	**20,482**	6,553
	20,482	6,553

In April 2020, the Directors notified shareholders that the final dividend in relation to 2019, which was announced in March 2020 alongside the Group's 2019 Preliminary results, was cancelled. Subsequently, no final dividend in relation to 2019 was paid by the Group.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 5.0 pence (2020: 1.6 pence) per Ordinary Share, which will distribute an estimated £20.5 million (2020: £6.6 million) of shareholders' funds. Subject to approval at the Annual General Meeting, this will be paid on 13 May 2022, to shareholders on the register at the close of business on 19 April 2022.

32. Post balance sheet events

On 21 January 2022, the Group acquired certain assets of Telling Architectural Limited, a privately-owned company in liquidation based in the West Midlands, an offsite manufacturer designing and producing a range of cladding solutions using glass reinforced concrete (GRC) technology. These panels cater to the needs of modular construction in the mid to high-rise building segment and come in a variety of finishes from plain concrete to brick facing.

Except for this acquisition and the proposed dividend (see Note 31), no further subsequent events requiring further disclosure or adjustment 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 2021	Notes	31 December 2021 £'000	31 December 2020 £'000
Fixed assets			
Investments	4	**625,581**	626,722
Current assets			
Debtors	5	**5,100**	3,793
Cash at bank and in hand		**1,130**	139
		6,230	3,932
Creditors – amounts falling due within one year	6	**(141,398)**	(213,604)
Net current liabilities		**(135,168)**	(209,672)
Total assets less current liabilities		**490,413**	417,050
Creditors – amounts falling due after more than one year	7	**(99,738)**	–
Net assets		**390,675**	417,050
Capital and reserves			
Called-up share capital	9	**4,096**	4,096
Share premium		**4,458**	4,333
Own shares held		**(1,741)**	(922)
Profit and loss account		**383,862**	409,543
Total equity		**390,675**	417,050

The notes on pages 179 to 182 are an integral part of these financial statements. As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented in these financial statements. The Parent Company's loss after tax for the year was £8.1 million (year ended 31 December 2020: loss of £5.4 million).

These financial statements were approved by the Board and authorised for issue on 08 March 2022. They were signed on its behalf by:

J Hudson
Director

C McLeish
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

At 31 December 2021	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Own shares held £'000	Total equity £'000
Balance as at 1 January 2021		**4,096**	**4,333**	**409,543**	**(922)**	**417,050**
Loss for the year		–	–	**(8,068)**	–	**(8,068)**
Other comprehensive income		–	–	–	–	–
Total comprehensive expense for the financial year		–	–	**(8,068)**	–	**(8,068)**
Transactions with owners:						
Issue of share capital	9	–	–	–	–	–
Share based payments		–	–	**890**	–	**890**
Other adjustment		–	–	**(1,540)**	–	**(1,540)**
Equity dividends paid		–	–	**(16,780)**	–	**(16,780)**
Purchase of own shares		–	–	–	**(1,309)**	**(1,309)**
Issue of share capital on exercise of share options		–	**125**	–	–	**125**
Issue of own shares held on exercise of share options		–	–	**(183)**	**490**	**307**
Transactions with owners		–	**125**	**(17,613)**	**(819)**	**(18,307)**
Balance at 31 December 2021		**4,096**	**4,458**	**383,862**	**(1,741)**	**390,675**

At 31 December 2020	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Own shares held £'000	Total equity £'000
Balance as at 1 January 2020		4,093	7,441	411,713	(435)	422,812
Loss for the year		–	–	(5,351)	–	(5,351)
Other comprehensive income		–	–	–	–	–
Total comprehensive expense for the financial year		–	–	(5,351)	–	(5,351)
Transactions with owners:						
Issue of share capital to Employee Benefit Trust		3	–	–	(3)	–
Share based payments		–	–	527	–	527
Transfer from Share premium account		–	(3,108)	3,108	–	–
Purchase of own shares		–	–	–	(1,020)	(1,020)
Issue of own shares held on exercise of share options		–	–	(454)	536	82
Transactions with owners		3	(3,108)	3,181	(487)	(411)
Balance at 31 December 2020		4,096	4,333	409,543	(922)	417,050

The notes on pages 179 to 182 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Authorisation of financial statements

The Parent Company financial statements of Ibstock plc (the 'Company') for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 08 March 2022 and the balance sheet was signed on its behalf by J Hudson and C McLeish.

Ibstock plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. The Company's Ordinary Shares are traded on the London Stock Exchange. The registered office is Leicester Road, Ibstock, Leicestershire LE67 6HS and the Company registration number is 09760850.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditor's 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 Directors reviewed detailed cash flows and forecasts of financial performance and stress-tested the projections. The forecasts include estimates of trading performance, operational and capital expenditure and debt requirements within the period to 30 June 2023.

Throughout this review period, the Company is forecast to be able to meet its liabilities as they fall due. Therefore, having assessed the principal risks and all other relevant matters, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Parent Company. The Group going concern assessment can be found in Note 1 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 are treated as a return of capital contribution and recorded as a credit to equity (up to the value of the initial share based payment treated as a capital contribution). Any recharge in excess of the capital contribution is recognised within the Company income statement. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments. For further details of share based payments, see Note 26 of the Group financial statements.

Dividend distribution

Dividend distributions to Ibstock's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

Financial instruments

(i) Objectives and policies

The Company, in common with its Group subsidiaries, must comply with the Group's finance guidelines that set out the principles and framework for managing Group-wide finances. Further information on the Group's policies and procedures is available in the Group financial statements. The Company does not enter into speculative treasury arrangements.

(ii) Foreign exchange, credit, liquidity and financial risks

Foreign exchange risk management

The Company primarily transacts in Sterling and therefore exposure to foreign exchange risk is regarded as low.

Credit risk management

For the Company, this risk arises from cash and cash equivalents and deposits with banks. This is managed on a Group basis and there are a number of initiatives underway to mitigate this risk. These include concentrating activities with a group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors.

Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by the Group.

The Company has adopted IAS 39 for recognition and measurement of financial instruments.

(iii) Financial assets

Financial assets, including 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 its interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have an impact on the tax charge and profit for the period in which such a determination is made.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. Summary of significant accounting policies continued

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are shown in equity as a deduction, from the proceeds.

Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Disclosure exemptions

In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

(a) Under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that its cash flows are included within the Ibstock plc Group consolidated financial statements.

(b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share based payment disclosure requirements as it is a Parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such only discloses a reconciliation of shares outstanding between the beginning and end of the year and not the prior year.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing intra-Group transactions with wholly owned subsidiaries.

Critical accounting judgements and estimation uncertainty

In applying the Company's accounting policies, as described above, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

There are no critical accounting judgements in the current year and no critical judgements or estimates were made in applying the Company's accounting policies in the prior year.

3. Employee information

The Company has no employees. Non-Executive Directors of the Company are employed under letters of appointment. Full details of Executive and Non-Executive remuneration is disclosed in the Annual Report on Remuneration on pages 112 to 121. 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 2020	626,195
Additions – fair value of share incentives issued to Group employees	527
At 31 December 2020	626,722
Additions – fair value of share incentives issued to Group employees	399
Other adjustment	(1,540)
At 31 December 2021	625,581

The Company holds 100% of the issued share capital of Ibstock Building Products Limited.

5. Debtors

	31 December 2021 £'000	31 December 2020 £'000
Amounts owed by subsidiary undertakings	**2,201**	2,219
Group relief receivable	**980**	1,284
Deferred tax asset	**106**	–
Prepayments and other debtors	**1,813**	290
	5,100	3,793

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and interest free.

6. Creditors – amounts falling due within one year

	31 December 2021 £'000	31 December 2020 £'000
Trade creditors	**208**	414
Amounts owed to subsidiary undertakings	**136,328**	211,428
Borrowings	**333**	–
Accruals and other creditors	**4,529**	1,762
	141,398	213,604

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free. The Group has a cash pooling arrangement with the bank.

7. Creditors – amounts falling due after more than one year

	31 December 2021 £'000	31 December 2020 £'000
Borrowings	**99,738**	–
	99,738	–

In November 2021, the Company issued £100 million of private placement notes to Pricoa Private Capital, with maturities of between seven and twelve years and an average total cost of funds of 2.19% (range 2.04% – 2.27%).

Additionally, at the same time the Company entered into a £125 million Revolving Credit Facility (RCF) provided by a syndicate of five banks for an initial four-year period, with a one-year extension option. This facility remained undrawn in the year ended 31 December 2021.

Further details of the Private Placement and RCF are provided in Note 19 of the Group financial statements.

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

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

8. Financial instruments
The Company has the following financial instruments:

	Loans and receivables	
	31 December 2021 £'000	31 December 2020 £'000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by subsidiary undertakings	**2,201**	2,219
Group relief receivable	**980**	1,284
Cash and bank balances	**1,130**	139
	4,311	3,642

	Loans and payables	
	31 December 2021 £'000	31 December 2020 £'000
Financial liabilities measured at amortised cost:		
Trade creditors	**208**	414
Amounts owed to subsidiary undertakings	**136,328**	211,428
Borrowings	**100,071**	–
Accruals and other creditors	**4,529**	1,762
	241,136	213,604

The Company has no derivative financial instruments. The fair value of the financial assets and liabilities has been assessed as materially in line with their carrying values.

9. Called-up share capital

		Number of shares	**Share capital £'000**
Issued, called-up and fully paid:			
At 1 January 2021	Ordinary Shares of £0.01 each	**409,559,785**	**4,096**
Shares issued in the year	Ordinary Shares of £0.01 each	**71,809**	–
At 31 December 2021		**409,631,594**	**4,096**

In the current year, share capital has increased by 71,809 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.

10. 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.

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.

The ultimate Parent Company and the smallest and largest group to consolidate these financial statements is Ibstock plc.

Share awards to key management personnel resulted in an amount of £0.4 million in the year ended 31 December 2021 (year ended 31 December 2020: £0.3 million), which has been taken to the fixed asset investment. See Note 26 of the Group financial statements and the Directors' Remuneration Report on pages 97 to 121 for further details of share based payments.

12. Post balance sheet events
A final dividend of 5.0 pence (2020: 1.6 pence) per Ordinary share is proposed in respect of the financial year ended 31 December 2021. See Note 31 of the Group financial statements.

See Note 32 of the Group financial statements for details of other post balance sheet events.

GROUP FIVE-YEAR SUMMARY

	Year ended 31 December				
Results summary	2017	2018	2019	2020	**2021**
Continuing operations					
Revenue	362,589	391,402	409,257	316,172	**408,656**
Adjusted EBITDA[1]	107,899	112,371	122,265	52,122	**103,053**
Exceptional items[1] impacting EBITDA	1,529	8,025	(2,833)	(35,257)	**5,230**
Depreciation and amortisation	(21,005)	(24,405)	(35,409)	(36,477)	**(38,349)**
Operating profit/(loss)	88,423	95,991	84,023	(19,612)	**69,934**
Exceptional finance costs	(6,386)	–	–	(414)	–
Net finance costs	(4,377)	(3,475)	(2,032)	(3,914)	**(4,992)**
Profit/(loss) before taxation	77,660	92,516	81,991	(23,940)	**64,942**
Taxation	(12,594)	(16,102)	(15,516)	(4,081)	**(33,129)**
Profit/(loss) from continuing operations	65,066	76,414	66,475	(28,021)	**31,813**
Profit/(loss) from discontinued operations	8,484	652	(383)	–	–
Profit/(loss)	73,550	77,066	66,092	(28,021)	**31,813**

	At 31 December				
Employment of capital	2017	2018	2019	2020	**2021**
Goodwill and intangible assets	116,010	100,587	102,594	95,163	**94,625**
Property, plant and equipment	400,480	365,478	386,255	371,395	**375,800**
Deferred tax asset	1,412	–	–	–	–
Right-of-use assets	–	–	30,479	26,653	**25,114**
Non-current assets	517,902	466,065	519,328	493,211	**495,539**
Inventories	91,118	68,426	84,327	63,386	**72,821**
Receivables	53,416	55,733	58,088	58,906	**64,756**
Deferred tax asset	–	–	–	–	**3,199**
Assets held for sale	4,853	–	1,186	1,186	**875**
Current assets	149,387	124,159	143,601	123,478	**141,651**
Payables	(85,342)	(92,447)	(88,150)	(85,423)	**(103,132)**
Lease liabilities	–	–	(30,361)	(29,076)	**(27,184)**
Other liabilities excluding debt	(81,407)	(82,069)	(83,922)	(78,711)	**(102,527)**
Net assets excluding pension and debt	500,540	415,708	460,496	423,479	**404,347**
Net debt[1]	(117,041)	(48,382)	(84,851)	(69,184)	**(38,872)**
Pension	37,329	80,705	88,656	43,576	**57,754**
Total net assets	420,828	448,031	464,301	397,871	**423,229**
Called-up share capital	4,064	4,065	4,093	4,096	**4,096**
Reserves	416,764	443,966	460,208	393,775	**419,133**
Total equity	420,828	448,031	464,301	397,871	**423,229**

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

	At 31 December				
Business ratios	2017	2018	2019	2020	**2021**
Adjusted EBITDA[1] margin	29.8%	28.7%	29.9%	16.5%	**25.2%**
Interest cover (times)	28x	35x	37x	10x	**21x**
Net debt to adjusted EBITDA[1]	1.08x	0.43x	0.74x	1.53x	**0.41x**
Return on capital employed[1]	20.6%	20.6%	19.3%	3.7%	**15.8%**
Adjusted operating cash flow[1,2] (£m)	93	84	72	50	**76**
Capital expenditure (£m)	(38)	(31)	(39)	(24)	**(25)**
Adjusted free cash flow[1,2] (£m)	55	53	33	26	**51**
Statutory basic earnings per share	16.0p	18.8p	16.3p	(6.8p)	**7.8p**
Adjusted basic earnings per share[1]	18.9p	18.8p	18.3p	4.0p	**13.9p**
Interim dividend per share	2.6p	3.0p	3.2p	–	**2.5p**
Final dividend per share	6.5p	6.5p	–	1.6p	**5.0p**
Supplementary dividend per share	–	6.5p	–	–	**–**
Total dividend per share	9.1p	16.0p	3.2p	1.6p	**7.5p**
Closing share price	267p	199p	315p	207p	**204p**
Closing market capitalisation (£m)	1,083.1	807.7	1,289.3	846.2	**834.8**

1 Alternative performance measures are described in Note 3 to the consolidated financial statements.
2 Adjusted operating and free cash flow measures are shown for continuing operations following the disposal of the US Glen-Gery business in November 2018. Prior periods have not been restated.

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.

SHAREHOLDER INFORMATION

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Calls outside the United Kingdom will be charged at the applicable international rate.

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Corporate website
www.ibstockplc.co.uk

Brand websites

Ibstock Brick	www.ibstockbrick.co.uk
Ibstock Kevington	www.ibstockbrick.co.uk/kevington
Forticrete	www.forticrete.co.uk
Supreme	www.supremeconcrete.co.uk
Anderton	www.andertonconcrete.co.uk
Longley	www.longley.uk.com

Analysis of shareholders – 31 December 2021

2021	Number of holdings	%	Balance as at 31 December 2021	%
1-1,000	348	29.617	179,568	0.0438
1,001–5,000	336	28.5957	915,144	0.2234
5,001–10,000	104	8.8511	749,345	0.1829
10,001–50,000	156	13.2766	3,460,433	0.8448
50,001–Highest	231	19.6596	404,327,104	98.7051
Total	1,175	100.00	409,631,594	100.00

Holder type	Number of holdings	%	Balance as at 31 December 2021	%
Individuals	568	48.3404	1,785,194	0.4358
Nominee and institutional investors	607	51.6596	407,846,400	99.5642
Total	1,175	100.00	409,631,594	100.00

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