

Company registration number 09760850

Delivering on our promises

Annual Report and Accounts

2017



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Who we are

Ibstock is built on great people doing what they do best and having the chance to make a difference.

It's how we innovate our products. It's how we develop our manufacturing capability. It's how we make the most of where the market's heading.

And it's central to the progress we have made over the last three years.

2017 Financial highlights

Revenue +4%

£452m

(2016: £435m +5%, 2015: £413m¹)

Adjusted EBITDA² +7%

£120m

(2016: £112m +4%, 2015: £107m¹)

Statutory reported profit after tax -19%

£74m

(2016: £90m -4%, 2015³: £94m)

Statutory reported EPS -19%

18.1p

(2016: 22.3p -32%, 2015³: 32.6p)

Adjusted EPS² +18%

21.4p

(2016: £18.1p +10%, 2015: £16.5p¹)

Net debt² -12%

£117m

(2016: £133m -8%, 2015 £145m)

Final dividend per share +23%

6.5p

(2016: 5.3p +20%, 2015: 4.4p)

1 – 2015 figures together with movements for revenue, adjusted EBITDA and adjusted EPS represent the full 12-month trading results as reported in Note 24 our 2015 Annual Report and Accounts.

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

3 – 2015 figures are restated from those originally set out in our 2015 Annual Report and Accounts, as described in Note 1 to the financial statements within the 2016 Annual Report and Accounts

Anita Maddock,
Production Operative,
Anderton Concrete

Our business at a glance

Five key strengths of Ibstock plc

1

Market leader

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

2

Scale

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

- 43 main manufacturing sites; 33 UK sites and 10 US sites.
- Over 150 million tonnes of consented clay reserves and in excess of an additional 100 million tonnes of clay resources.
- Realisable production capacity of 1.2 billion bricks per annum.

3

Long-standing customer relationships

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

4

Growing capacity to meet rising demand

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

- The new Leicester plant, which commenced commissioning in Q4 2017, is expected to add capacity of circa 100 million bricks per annum.
- The capacity expansion project at our Lodge Lane blue brick plant in Cannock began commissioning in Q4 2017. This investment in a replacement kiln increases capacity and maintains the Group's leading position as a full range supplier.

5

Highly experienced management team

Our management team has extensive experience in the building products market with our Chief Executive Officer and Chief Financial Officer having combined experience of over 50 years within the industry. They are ably supported by our Group Executive Committee who have an average of 18 years' experience.

Where we operate

United Kingdom

Manufacturing plants

- 19 Ibstock Brick
- 7 Forticrete
- 5 Supreme
- 2 Anderton

United States

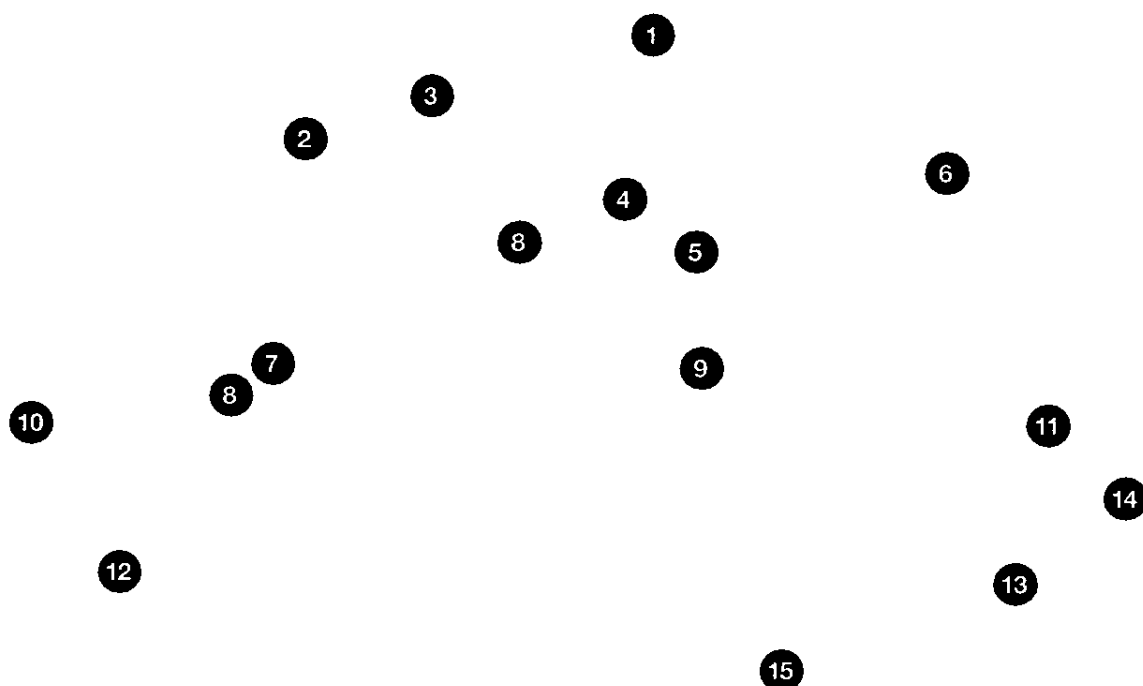
North East and Mid West

Manufacturing plants

- 10 Glen-Gery Brick manufacturing plants
- 10 Distribution centres

Where our products get used

- | | | | | | |
|-----------------------|--------------------------------------|--------------------|--------------------|------------------------------|------------------|
| 1 Faststack Chimney | 3 Concrete roof tiles | 5 Brick engraving | 8 Concrete Lintels | 11 Concrete fencing products | 13 Copings |
| 2 Roofing accessories | 4 Cast stone heads, sills and quoins | 6 Clay bricks | 9 Arches and Heads | 12 Inspection chambers | 14 Clay paving |
| | | 7 Flooring T-Beams | 10 Retaining walls | | 15 Walling stone |



Our business at a glance continued

Our brands and products

United Kingdom

IBSTOCK|BRICK

Description

Ibstock Brick is the leading manufacturer by volume of clay bricks sold in the UK.

Key markets

New build housing, repairs, maintenance and improvement (RMI) and commercial.

Key products

Clay bricks Clay pavers

Key area

Clay bricks

Revenue £m

253 254 265

2015 2016 2017

IBSTOCK|KEVINGTON

Description

Ibstock Kevington is the UK's biggest manufacturer of brick special shapes and components.

Key markets

Repairs, maintenance and improvement (RMI), New build housing and commercial.

Key products

Special shapes Cut and bond

Arches Faststack chimneys Brick engraving

Key area

Brick and special shapes UK

Revenue £m

77 91 89

2015 2016 2017

United States

Glen-Gery

Description

Glen-Gery is a leading manufacturer of bricks by volume of despatches in the North-East and Mid-West regions of the United States.

Key markets

Housebuilders, repairs, maintenance and improvement (RMI), distributors and specification.

Key products

Provincetown Extruded Brick Urban Grey Klaycoat

StoneFit Glacier Frost Black Pearl

Key area

Bricks

Revenue £m

77 91 89

2015 2016 2017

United Kingdom

Forticrete

Description

Forticrete is a leading manufacturer of concrete substitutes for natural stone walling, dressings and concrete roof tiles.

Key markets

Roofing contractors, repairs, maintenance and improvement (RMi), new build housing, builders merchants and specification.

SUPREME

Description

Supreme is a leading manufacturer of concrete fencing products, concrete lintels and general concrete building products.

Key markets

Builders merchants, housebuilders, fencing contractors and stockists.

Anderton

Description

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

Key markets

Railway agencies and contractors, builders merchants and fencing stockists.

Key products

Concrete roof tile

Rooflight and accessories

Reconstructed stone walling

Cast Stone

Key products

Flooring T-beams

Concrete fencing

Concrete lintels and padstones

Key products

Slope-loc concrete

Concrete fencing

Key stone

Rail trough

Key area

Concrete substitutes

Key area

Concrete fencing

Key area

Retaining walls and lineside cable housing

Revenue

£m

		97
	91	
83		

2015

2016

2017

Chairman's statement

Interim dividend

2.6p

Paid on 22 September 2017

Final dividend

6.5p

To be paid on 8 June 2018

2018 has been another year of progress with the Group performing in line with the Board's expectations.

Overview

The demand for our products has again been strongly supported by good activity levels across the UK new housebuilding market. Market-wide demand has been such that our customers have on occasion faced extended waiting times for some of our products, especially soft mud bricks and roof tiles. This reduced availability underpins the Group's strategy to increase capacity and highlights the importance of the Board's decisions to invest in our new soft mud brick factory in Leicestershire and roof tile line in Leighton Buzzard.

The Board is responsible for the governance of the Group, and we recognise its crucial role in helping Ibstock deliver our long-term success. I should draw your attention to my Corporate Governance statement on page 44, which summarises our progress in this area during 2017 when we achieved compliance for the full year with the UK Corporate Governance Code. However, I am conscious of the ever evolving regulations and guidance surrounding corporate governance, and so we have sought to enhance our disclosures within the Strategic Report in light of these changes.

Board changes

As a Board we have consistently focused on succession planning as one of our most important activities.

In October 2017, we announced that Wayne Sheppard, Group CEO, had notified the Board of his intention to retire in 2018 and that Joe Hudson would join the Board as CEO designate in early 2018. Wayne has been instrumental in Ibstock's success. As CEO, he has led the Group through a successful IPO and delivered strong growth. I wish him well in his retirement and on behalf of the Board and the shareholders I thank him for his efforts and significant achievements.

I am absolutely delighted that we have managed to secure the appointment of someone of Joe's calibre and experience. His track record of performance at Aggregate Industries and Lafarge Holcim has been outstanding and we look forward to him leading Ibstock through the next stage of its development.

In addition to the CEO change, the composition of our Non-Executive Directors also altered during 2017.

As reported in last year's Annual Report and Accounts, Justin Read joined our Board as an independent Non-Executive Director from 1 January 2017. Since his appointment, Justin has provided a wealth of experience that has been of great benefit to Ibstock as we continue to develop our business.

Matthias Boyer Chammard and Michel Plantevin, who were representatives of Bain Capital Europe, resigned from the Board in May 2017 and did not seek reappointment at the 2017 Annual General Meeting. I wish to thank both Michel and Matthias for the constructive and thoughtful contribution they have made to the Board and the Company during our time as a listed company.

In December 2017, Lynn Minella who has been an independent Non-Executive Director since February 2016, resigned from the Board following her relocation to the United States. As well as being Chair of our Remuneration Committee, Lynn has served as a member of our Audit and Nomination Committees. I wish to thank her for the contribution she has made to the Group since the time of her appointment and wish her every success in her new role. Lynn will be succeeded as Chair of the Remuneration Committee by Tracey Graham, an experienced Chair of such committees, and who has served on the Group's Remuneration Committee since February 2016.

As recently announced, I will be stepping down as Chairman at the forthcoming Annual General Meeting in May 2018. I have greatly enjoyed my time guiding the Group in its first years as a listed business. However, following my appointment as Chairman of Spirax-Sarco Engineering plc, and in the interests of good corporate governance, I have taken the difficult decision to step down from the Board of Ibstock plc. Following the conclusion of our Annual General Meeting, our Senior Independent Director Jonathan Nicholls, will be appointed Chairman of the Board. Tracey Graham will be appointed as the Senior Independent Director. In addition to her current role as Chair of the Remuneration Committee and Justin Read will be appointed Chair of the Audit Committee.

Shareholder returns and dividends

We paid our interim dividend on 22 September 2017 of 2.6 pence per ordinary share and propose to pay a final dividend in respect of 2017 of 6.5 pence per share, making a total dividend of 9.1 pence. The Board proposes to pay our final 2017 dividend payment on 8 June 2018 to shareholders on the register on 11 May 2018. During 2017, we clarified our dividend payment policy such that our interim dividend equated to one-third of the full year dividend for the prior year. The Board believes that this clarification provides greater certainty to shareholders. The Board has also determined a supplementary dividend policy as part of the Group's wider capital allocation policy. This is discussed in more detail within the Financial Review on page 40.

Colleagues

Employees are our greatest asset and the progress made during the year has only been possible due to their effort and dedication. On behalf of the Board, I would like to thank all our employees for their contribution.

Jamie Pike

Chairman
5 March 2018

**Demand for our products
has again been strongly
supported by good activity
levels across the UK new
housebuilding market.**

Jamie Pike, Chairman

Governance overview

Nomination Committee at a glance

Four Committee members

What we achieved in 2017

Ran an effective recruitment process for, and selection of, the CEO designate.

Find out more on pages 55 to 56

Jamie Pike

Nomination Committee Chair

Audit Committee at a glance

Three Committee members

What we achieved in 2017

Oversaw the transition of the new auditors following the tender process held in 2016.

Find out more on pages 59 to 64

Jonathan Nicholls

Audit Committee Chair

Remuneration Committee at a glance

Four Committee members

What we achieved in 2017

Oversaw the preparation of the Group's first gender pay gap reporting.

Find out more on pages 66 to 83

Tracey Graham

Remuneration Committee Chair

Chief Executive's statement

Taking stock

When we listed in 2015 we said there were supportive market fundamentals and opportunities for Ibstock.

We have delivered.

It has taken over £100m of planned investment in infrastructure, brand, innovation and people.

We've achieved a lot in three years and there's more to come.

Wayne Sheppard,
Chief Executive Officer

Revenue

£452m

Adjusted EBITDA

£120m

Statutory reported profit

£74m

We said We would build a strong business for the future. And here is how we did this year.

Having announced my intention to retire in 2018, it is with mixed emotions that I write my last CEO statement. I am, however, delighted to be able to report significant headway in each area of the Group's strategy during 2017, continuing the strong progress made since the business listed in October 2015.

The Group has grown revenue and adjusted EBITDA in both 2016 and during the year ended 31 December 2017, with revenue growth of 4% and adjusted EBITDA growth of 7% in the current year.

The Group's statutory results are discussed in the Financial Review on pages 38 to 42.

This year's Annual Report focuses on the Group's strategic progress since our listing and some of the individuals who have enabled this. Our strategic achievements in the areas of Health and Safety ("H&S"), investment and innovation are described below and within our Strategy section on pages 22 and 23.

Succession planning has always been a high priority for us, including my own, as I will reach the age of 60 in 2019. Having considered the best time for my own succession, I advised the Board that ideally I would like 2018 to be my last year as CEO with the third anniversary of the IPO coming in October 2018. I am delighted that Joe Hudson joined Ibstock in early 2018 to allow a thorough handover of responsibilities (see inset on page 14).

Safety

A business which looks after its employees is a business that thrives and a key element is ensuring the well-being of our team. H&S continues to be our highest priority and we continually work to drive improved performance in this area as we have done for many years. Ibstock Brick was one of

the founding members of the Ceramic Industry Health and Safety Pledge in 2001 as part of an industry-wide commitment to engage in a process of continuous improvement in health and safety. The initiative is managed by the British Ceramic Confederation (BCC) and has won significant recognition from the UK Government's Health and Safety Executive (HSE) and is seen as a model for other industries.

I am pleased to report that our revised measure of all lost time accidents (LTA) – employees and those working on our sites, such as contractors, reduced from 20 to 18 during the year ended 31 December 2017. This 10% reduction marked a significant year-on-year improvement. This is particularly pleasing as the measure includes the many contractors on our sites engaged with the construction of our major projects during the year such as the new brick factory and the blue brick kiln. At times this amounted to several hundred additional people on our sites every day.

We continue to work hard in this aspect of our business as we strive to achieve world class performance and drive LTAs to zero.

Ibstock has driven the development of intelligent mobile plant to operate on our sites to protect our employees and visitors. These fork lift and clamp trucks are able to detect objects behind the truck when reversing and apply brakes automatically, thus avoiding a collision and making reversing operations much safer. As well as the increased safety of our employees, contractors and visitors, there is an added benefit to the Group of reduced stock damage and building maintenance. This technology was co-developed with mobile plant supplier partners and is now available across the

industry as a standard option; however it has been mandatory for all new plant in Ibstock for several years.

I believe this is an example of Ibstock continually pushing the boundaries to protect our employees.

For 2017 we introduced the reporting of "causes for concern" (CFC) by all employees to identify and correct hazards before an accident occurs. We have targeted two reports per person per year to increase awareness in the working environment. During the year, over 3,500 CFCs were reported and corrected and whilst increasing awareness, this initiative must have also reduced the potential for accidents to occur. I believe this is reflected in our 2017 LTA performance.

Invest

At the time of the Group's initial public offering (IPO), we advised that we believed the fundamentals underpinning growth in our UK markets looked robust and that we would invest in our businesses to support growth and cost efficiency. We have subsequently invested over £100 million and delivered the major projects identified and more.

Our new roof tile line at Leighton Buzzard commenced commissioning in late 2016 and has improved its performance during 2017. Take-up of these innovative new tiles has been good with the major developers who have appreciated this new capacity coming to the market at a time of need.

We have not said much publicly about an investment in our Supreme Concrete Company to further automate the production of general cast concrete products. Our first machine to a bespoke design was commissioned in 2017 and has been very successful in increasing productivity, reducing manpower requirements and eliminating manual handling. We intend to invest in further machines over the coming years.

Construction of our new Leicester brick factory is complete and we commenced making bricks and commissioning towards the end of the year. Early in 2018 the first fired bricks exited the kiln ready for despatch to customers. This has been a massive project to deliver and I am pleased that we achieved it with only one lost time accident over the entire two-year build programme involving several million man hours.

As you will see from my remarks in the Business Review section (see pages 16 and 17), the timing for our investment in additional brick capacity has been superb. We have designed an excellent range of bricks that we will progressively prove and commission the new factory as 2018 progresses. The range has been designed to target imports and the factory has also been designed to be exceptionally flexible and make a very broad range of types and styles of brick.

Chief Executive's statement continued

**We said
Investment in people
is at the centre of the
Group's service delivery.**

**And we continue to run
thousands of training
days each year for
our employees.**

It's all about the people

**John Tolley
Cage Shop Operative,
Anderton Concrete
John has worked for Anderton
Concrete for over 40 years and says
it is like a family to him, especially
as his son and two of his grandsons
also work for the Company.**

John with his
son and two
grandsons.

We said
We seek to introduce new
products through innovation
and new technology.
And we introduced the
game-changing SL8 roof tile.

It's all about the people

Mark Brind
Production Director,
Forticrete

Mark may be relatively new to Forticrete having joined at the beginning of 2017 but he brings over 20 years' experience employed within tier 1 automotive manufacturers.

Mark is at the heart of driving continual improvement and efficiencies in production as well as championing his team to be the best they can.

Gemini roof tile

Chief Executive's statement continued

We said

We believed there was a structural imbalance between brick demand and supply in the UK.

And we invested in our new soft mud brick factory in Leicester, which will have the capacity to produce an extra 100m bricks per year.

It's all about the people

Tom Brooke
Technical manager,
Ibstock Brick
Tom joined Ibstock Brick in September 2014 on the company Apprenticeship scheme as a mature Technical apprentice initially based at the Dorket Head factory and won the company 'Apprentice of the Year' award that year.

Having transferred to the new factory in Leicester as part of the project team in early 2016 Tom has gone on to be promoted to Technical Manager in November 2017.

Soft mud brick

We said
The Group seeks to maintain
and develop lasting customer
relations.

And we have won a number of
supplier awards from our key
customers since our IPO.

It's all about the people

Julie Lee
Northern National Sales Manager,
Supreme
Julie has worked for Supreme
Concrete for 10 years and is
passionate about customer service
and developing long-term working
relationships with her customers in
the North.

The continued investment in the
business and developing lasting
customer relationships is what
makes Supreme stand out from
our competitors.

Floor beam

Chief Executive's statement continued

In March 2016, we also mentioned an investment at our Ravenhead wire cut brick factory to automate our de-hacking and packaging operations and this was commissioned on time and cost during 2016.

Since our IPO we announced an £8 million investment to replace the blue brick kiln at our Lodge Lane plant. This project was completed in 2017 and is at an advanced stage of commissioning with blue bricks being produced to meet customer demand.

These investments are very exciting but Ibstock is a long-term legacy business and we have also continued to invest in the Group's long-term future in a number of ways:

We have acquired substantial additional clay reserves at two of our sites to support the continued development of the business and also maintained planning permission for an additional concrete products factory at one of our sites to support further strategic growth when required.

To prepare for the future we have continued to invest in our people – good examples being our continuing apprentice programme with 34 apprentices under training and the roll out of training initiatives to our wider workforce amounting to over 9,000 training days over the year. Additionally, several senior appointments were made that reinforce the strength and depth in the Company teams, and the formation in 2017 of the Group Executive Committee (see overleaf) positions us well for the future.

We have commenced a project to implement the JD Edwards ERP system into Supreme Concrete. Once implemented, all UK businesses will be on a common IT platform allowing a common Customer Relationship Management (CRM) system to be implemented to support the extraction of further commercial synergies from the UK businesses in the future.

We continue to work to redeploy our assets by enhancing the value of our surplus land. These activities have resulted in considerable success over the past decade or more by improving the planning status of surplus land assets. Recent activity is likely to lead to significant additional cash flows and profits during 2018 and 2019. These cash flows can then be deployed to the benefit of the Company and its shareholders.

In 2018 our investment objective is to deliver fully the benefits of the major projects undertaken to date. We expect significantly lower capital expenditure over the next two years, whilst over this time we will be planning and developing for the next potential capacity expansion and improvement projects.

Innovate

Innovation continues to be a priority for all businesses within the Group. By continually seeking to improve our customer service and introducing new products to our ranges, we can respond to our current customer or business needs, but also anticipate future trends. Our innovation objectives will increase the Group's efficiency and continue to support increased profitability.

As mentioned above, two of the biggest innovations are supported by our major investments in the new SL8 and PAN8 roof tiles and the new brick factory to make a range of new and exciting bricks. Indeed, our new brick factory includes some significant innovations in the clay brick manufacturing process, such as a tunnel dryer for soft mud bricks.

Glen-Gery, our US brick subsidiary, has developed two new ranges of laminate stone products to complement our brick ranges. These products are the new "StoneFit" system and "Creative Mines" range of laminated stone and will increase our offering in the residential cladding market.

Supreme Concrete has developed a new range of fencing products allowing the fencing range to be repositioned at various price points.

The Ibstock Kevington components business has developed a brick clad underslung soffit – a brick clad component for non-residential buildings called "Nexus" that fully came to market in 2017 and has been received as a very innovative new product by architects and specifiers alike.

Amongst our targets for the future are to ensure our brick ranges continue to satisfy traditional RMI markets and that we develop new ranges to meet the more fashionable non-residential and developer markets.

Brexit

I am regularly asked about the impact of the UK's withdrawal from the European Union ("Brexit") upon our business. The Group exports a very small proportion of its products, but where it does, mainly to Ireland, the devaluation of Sterling has made our products better value for our customers. Clearly the converse is true for imports with imported brick from northern Europe having become less profitable or competitive for the exporters which is also helpful to our business. However, certain imported raw materials, such as reinforcement steel, have become more expensive although this input cost impact is relatively small in scale, as we own our primary raw material; clay. Skilled employee availability, especially for skilled maintenance personnel is a concern. However, our growing apprentice programme helps to mitigate any potential adverse impact.

Chief Executive designate

Wayne Sheppard welcomes our new Chief Executive designate

I am delighted that Joe Hudson joined Ibstock in early 2018. Joe has very relevant experience in building materials, most recently with Lafarge Holcim where he was responsible for their UK cement, Bradstone paving and concrete block businesses. With experience of manufacturing with high capital cost plant and the sale of aesthetic masonry and commodity concrete building products, he is ideally experienced to be the next CEO of Ibstock plc.

Summary

Supported by strong market fundamentals, Ibstock continues to follow a growth strategy underpinned by organic growth opportunities in UK clay and concrete products. We continue to look for value-enhancing acquisitions, particularly those that would provide new platforms for growth and enhance our portfolio of principally residential building products. In the US, the brick industry continues to operate at low levels of capacity utilisation resulting in lower returns than we enjoy in the UK. Against this backdrop, we continue to consider all options and opportunities for our business.

We will shortly complete our CEO succession plan with the business in a good position. Profit performance and cash generation are strong and continue to improve. Debt levels are at a 1x adjusted EBITDA after the substantial investments made since our IPO – the full benefits of which are still to come.

The UK pension scheme has been well managed and this has allowed the Company to enter into discussions with the Trustees to accelerate the de-risking strategy already in place. Importantly, we have a highly experienced Group Executive Committee to provide continuity, manage the business, provide succession and support my successor.

We have a clear strategy and have outlined our capital allocation priorities, which are set out in the Financial Review. Given our robust balance sheet and strong cash generation, in the absence of any significant value enhancing acquisitions and with continuing supportive markets, the Board currently expects to introduce a supplementary dividend alongside the interim dividend in 2018.

Finally I should like to thank all of my Ibstock colleagues for their hard work and commitment over many years that has been instrumental in the Group's strong performance. It has been a pleasure to work with them all and I will miss them greatly. With their undoubted continued support for my successor, the further progression of the strategy we have deployed and with the investments we have made, we have every reason to look to the future with confidence.

Wayne Sheppard
Chief Executive Officer
5 March 2018

We said We would be reviewing succession planning of Executive and Non-Executive Directors.

And we have formed a new Committee as part of our succession planning.

Group Executive Committee

Committee members (in addition to Executive Directors)

Julie Bullock
Group HR Director

Darren Bowkett
Operations Director,
Ibstock Brick

Mark Houghton
Managing Director,
Supreme Concrete

Mark Richmond
Group Development and
Investor Relations Director

Greg Silvestri
President, Glen-Gery

John Lambert
Managing Director,
Forticrete

Rob Hardgrave
Group Chief Information
Officer

Ian Tichias
Finance Director, Ibstock
Brick and Forticrete

Business review

The fundamentals of a housing shortage and strong Government commitment to increase housebuilding remain robust and strongly support our UK businesses.

Revenue (KPI) +4%

£452m

Adjusted EBITDA (KPI) +7%

£120m

Group Adjusted EBITDA margin
(no change)

26%

Overall Group performance

2017 presented many challenges to the Group; however, we performed strongly during the year, delivering profits and cash generation in line with management's expectations. Group revenue increased by 4% to £452 million (2016: £435 million) and Group adjusted EBITDA increased by 7% to £120 million (2016: £112 million). A slightly weaker US performance was offset by a stronger performance in the UK, driven by improved year-on-year results in both clay and concrete.

UK Clay and Concrete

	Year ended 31 December 2017 £'m	Year ended 31 December 2016 £'m
Revenue	363	344
Adjusted EBITDA	111	103
Adjusted EBITDA margin	30.5%	29.8%

2017 proved to be a testing year for a number of reasons.

We had reported some slowing in our markets in 2016 leading up to the UK's European Union referendum ("Brexit"), but with that event behind us our UK markets showed good resilience in the final quarter of 2016. However, economists were generally forecasting significant adverse impacts on our markets for 2017.

Despite the uncertainty arising from the referendum in 2016, we entered the year with a plan to sell slightly more than in the previous year – our more positive view of our markets supported by customer advice on prospective build volumes. As we moved into the Spring, it became clear that our markets had shrugged-off Brexit – economic forecasters had been overly pessimistic – and our volumes were progressing strongly into the new build sector in particular. We increased our production plans to maximum output from the already high utilisation rates to meet this demand. Our repair, maintenance and improvement ("RMI") markets, served principally by Ibstock Brick and Supreme Concrete, remained stable.

During the Summer months demand remained robust and new build products, such as bricks and roof tiles, moved onto waiting times. With demand exceeding supply during this period, some customers did not receive the volumes they wanted when they needed it. Consequently, I am very pleased that we still managed to record a small improvement in our overall Net Promoter Score this year.

Due to high demand, brick imports increased strongly as the year progressed, exceeding circa 0.31 billion bricks for the year across the UK market. UK manufacturers sold approximately 2 billion bricks, although circa 0.16 billion of this was supplied from existing stocks. In summary, the UK market consumed circa 2.4 billion bricks and UK manufacturers manufactured less than 1.9 billion, leaving a deficit of circa 0.5 billion bricks that was filled through manufacturer destocking and imports.

With this market situation, Ibstock's decision to build a new brick factory in Leicestershire providing 100 million bricks of additional supply to the UK market has proven to be a good one. The new factory started making bricks in December 2017 and the first bricks from the plant were sold to customers during early 2018. As the plant is commissioned, production efficiency will increase during 2018, and,

as planned, we expect the plant to average about half capacity over the year and for 2019 to be the first year at full output.

Customers are pleased that this new capacity is coming to market particularly as this is soft mud product where the shortage of UK supply is at its most acute. The new factory has been designed to be able to manufacture bricks in a wide range of styles and thus meet almost all customer specifications.

Increased new build housing volumes have also increased the demand for roof tiles and industry demand is often in excess of capacity over the course of a year. Ibstock's investment in new additional roof tile capacity for its Forticrete subsidiary has proven to be timely. As previously reported, Forticrete's new SL8 and PAN8 tiles are highly innovative and offer improved aesthetics and reduced laying cost to the customer. They have been well received.

2017 was a commissioning year for the new roof tile plant and demand for these new products has often exceeded our growing capacity. Production efficiency levels improved as the year progressed and we reached expected long-term production targets by year end. On this basis, we entered 2018 with the plant performing to expectation and providing product into a market showing strong demand growth. We will continue to seek to optimise output from our roofing business as 2018 progresses and further smaller investments to increase capacity, particularly for roofing accessories, are planned to support the growth of roof tile sales.

Forticrete also manufacturers reconstructed stone products that are sold into new build residential markets. Previous investments in walling stone at our Anstone plant and in cast stone at our Thomley plant have ensured that we have sufficient capacity to meet current demand.

To meet growing new housing demand, our Supreme subsidiary worked hard to improve manufacturing efficiency in the production of concrete lintels and floor beams during the year and this supported good sales growth. RMI markets for fencing and general concrete products were reasonably stable and we enjoyed a solid year.

Supreme also installed its first new fully automated concrete casting machine to manufacture fence posts, gravel board and rail products. This innovation has taken several years to develop and bring to fruition; however, it offers improved operational efficiencies over current standard production methods and eliminates the health and safety risks associated with manual handling of product.

US

	Year ended 31 December 2017 \$'m	Year ended 31 December 2016 \$'m
Revenue	115	122
Adjusted EBITDA	15	17
Adjusted EBITDA margin	13.1%	13.8%

For Ibstock in the UK, 2017 was a busy and very important year of development for the Group – our past decisions to invest in additional capacity, having recognised the strong fundamentals supporting UK new housing growth, look to have been correct as they enter production. We began 2018 with new capacity at a time when it is clearly much needed to support strong market demand.

US

Revenue in the US was down 2% (6% at constant exchange rates) for the full year compared to 2016, principally reflecting a more competitive new build residential market and a less favourable product mix.

In the second half of 2017, forecasters were still expecting both residential and non-residential markets in the North-East and Mid-West to have been flat to slightly positive overall for the year.

However, brick industry data for our primary markets actually shows that brick demand declined slightly across all our end use markets through this period. Our experience was one of tough markets in 2017.

Specifically, residential markets were very competitive in the Mid-West, where we stood firm on our pricing with a resultant impact on volume. We also experienced a decline in the number of non-residential end use projects and overall we believe we may have lost a little share during 2017 in this market as a result. Over recent years we believe our pricing has on average been ahead of the industry, reflected in the strong profit improvement recorded in 2016.

Glen-Gery has worked to increase its relatively small exposure to the laminate stone and thin brick markets. During the year the manufactured stone product range was expanded with two new product lines and capacity to supply the "thin brick" market was increased.

During 2017 management changes were made at senior level and a new and highly experienced President joined the business in the latter part of the year. With the benefits of initiatives taken in 2017 beginning to be seen and a new President in post, we look to recover our market share position in 2018 albeit against challenging market conditions.

Outlook for 2018

The fundamentals of a housing shortage and a strong Government commitment to increase housebuilding volumes remain robust and strongly support our UK businesses.

During 2017, UK brick demand exceeded supply, manufacturers destocked and import levels increased. Consequently the investments we have made to increase capacity in both brick and roof tiles have been well-timed and our customers value this additional capacity.

In the US, our Glen-Gery brick business continues to hold a leading position in the Mid-West and North-East markets. Whilst brick demand in 2017 declined slightly in our primary markets, we believe that Glen-Gery with its excellent customer relationships, broad product range and reputation for quality and service is in a good place to benefit from any future improvements in the brick market. With a new President in place and a small but growing presence in the residential laminate stone market, we look to the year ahead with confidence.

Customer demand in our UK clay and concrete markets remains encouraging, with the full benefit of the investments we have made still to come. While we remain mindful of the uncertainties of the UK economy we expect another year of progress for the Group.

Our markets

We have market-leading positions within each of our markets

The main market drivers that are expected to increase the demand for our products:

- UK construction output**
- UK housing starts.**

1

UK construction output

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

Several macroeconomic factors influence the levels and growth of construction activity, including demographic trends, the state of the housing market, mortgage availability, mortgage interest rates, and changes in household income, inflation and Government policy.

With the largest production capabilities, the Group continues to hold a market-leading position within the UK market for clay bricks, together with leading market positions in UK concrete products and in the US regions within which the Group operates. In the UK, the three largest brick manufacturers (Ibstock, Forterra and Weinerberger) accounted for approximately 90% of brick production in 2015. Our US operations are regional leaders in the clay products markets of the North-East and Mid-West where a number of regional and national manufacturers also operate. Conversely, many of the UK concrete markets which the Group operates in are fragmented with many small players.

Following the UK's Referendum on EU membership in June 2016, macroeconomic uncertainty exists although to date major housebuilders have continued to report high demand for new housing and resilient customer confidence.

Total Great Britain construction output is estimated at £153.0 billion in 2017 (a 3.0% increase compared to 2016). The Construction Products Association estimates that Great Britain construction output will increase marginally (by 0.2%) in 2018 before seeing an increase of 1.7% in 2019 as activity picks up. It is apparent that the trend differs across all construction sectors with an increase in activity being particularly marked within the private housing sector.

UK construction output £'bn

	148.5	153.0	153.3
143.1			

2015	2016	2017a	2018f
------	------	-------	-------

Source: Construction Products Association, Winter 2017. (a = estimates, f = forecast)

2

UK housing starts

The UK housing market has been structurally undersupplied for a number of years, with housing starts below household formations. With an estimated 80% of new homes using clay bricks within their construction, increases in new housing volumes directly impact the demand for our brick products.

Since the UK Government commissioned the Barker Review in 2003, which suggested a shortage of housing in the UK at that time of approximately 450,000 houses, this undersupply has grown to in excess of one million homes.

The UK Government's white paper "Fixing our broken housing market" in February 2017 reiterated the need for new homes in England in order to keep pace with population growth and to tackle the years of housing undersupply. The UK's General Election in June 2017 saw each of the main political parties reveal policies strongly supportive of housebuilding and subsequent Government policy continues to provide backing to housebuilding.

UK housing starts '000s of starts

		188.5	192.3
173.0	179.2		

2015 2016 2017e 2018f

Source: Construction Products Association, Winter 2017 (e = estimates, f = forecast)

3

US housing starts

The Company's primary markets in the US are the North-East and Mid-West. Housing starts in Glen-Gery's primary markets fell sharply (approximately 68%) from a peak in 2005 through to 2009. Residential starts then increased with support from improvements in the economy and growth in employment. Housing starts in Glen-Gery's primary US markets are forecast to decrease by 2.4% in 2017 and decrease by 4.1% in 2018, whilst the US is expected to see residential housing starts increase by 2.1% and by 0.4% in 2017 and 2018, respectively.

Non-residential square feet of construction in Glen-Gery's primary markets are expected to be 1.1% lower in 2017, with a decline of 0.6% forecast for 2018.

US housing starts '000s of starts in our primary markets

393.5	408.5	398.9	382.6
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2015 2016 2017f 2018f

Source: Dodge data and analytics, Q4 2017 (f = forecast)

Business model

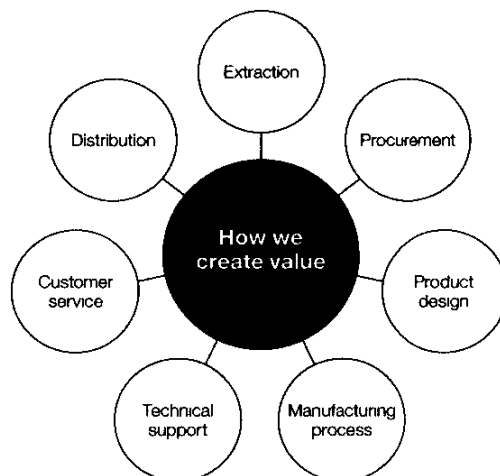
The Group is a leading manufacturer of a diversified range of clay and concrete building products, with operations across the UK and the Mid-West and North-East regions of the US.

Our key differentiators

- Market leadership
- Scale
- Long-standing customer relationships
- Growing capacity
- Highly experienced management team

Inputs

- Know-how
- People
- Plants and factories
- Long-term relationships
- Raw materials
- Manufactured materials



Outputs

- Shareholders
- Employees
- Customers
- Suppliers and partners
- Communities

Our brands

- Ibstock Brick
- Glen-Gery
- Ibstock Kevington
- Supreme
- Forticrete
- Anderton Concrete

See pages 26 and 31 for more on our resources and relationships

See pages 4 and 5 for more on our brands

How we create value

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

Extraction

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

Procurement

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

Product design

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

Manufacturing process

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

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

The Group's concrete products are made from cement, sand, admixtures and pigments, which are mixed together. In the case of a roof tile, the mix is extruded onto moving pallets and then cut to form individual tiles. The cut tiles are cured in chambers, finish coated and dried. The 'grey' concrete products, such as fence

posts, are made using a semi-dry or wet cast process. The concrete is discharged from a machine hopper into a mould containing steel reinforcement bars with high frequency vibration used to compact the mixture and then demoulded by turning over the moulds before curing.

Technical support

The Group seeks to differentiate itself as a manufacturer by employing five architects and a Computer Aided Design office to assist specifiers and customers in their designs and efficient use of our products.

Customer service

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

Distribution

The Group's 43 principal manufacturing plants across the UK and US are strategically located close to main transportation links to facilitate onward distribution. In the UK, the Group outsources substantially all its haulage to two contractors. In the US, a relatively large proportion of sales are direct collections by the end-customer. Additionally, in the US, the Group operates a network of 10 resale centres across its primary markets.

Our key differentiators

Market leadership

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

Scale

We have over 150 million tonnes of consented clay reserves and in excess of 100 million tonnes of clay resources, providing good support for production capacity of 1.2 billion bricks per annum across 28 clay and 15 concrete plants throughout the UK and US.

Long-standing customer relationships

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

Growing capacity

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

Highly experienced management team

Our management team has extensive experience in the building products market and our Chief Executive Officer and Chief Financial Officer have combined experience of over 50 years within the industry.

Outputs

Shareholders

The Directors recognise the importance of rewarding our shareholders for their continued investment in the future of the Group. We view the risks to our dividend as intrinsically linked to the principal risks and uncertainties noted on pages 34 to 37, primarily those impacting the wider macroeconomic environment and the cyclical nature of the industry for building products. It is our objective to set out a clear dividend policy to enable stakeholders to assess both the case for investment and stewardship in holding the Board to account. Our dividend policy is set out within the Financial Review on page 40.

Employees

The Group employs a large number of people across its operations and as described in the Resources and relationships section on pages 26 to 31, the development and progression of our employees is seen as key to the Group's long-term success. Alongside the Group's strategic priority of providing a safe working environment, the Directors believe that the employee share ownership encouraged by the Share Incentive and Save As You Earn programmes and supported by strong corporate governance, are further ways in which value flows to the Group's employee stakeholders.

Customers

Builders' merchants, housebuilders, specialist brick distributors, contractors and installers are the five main customer groups for the Group's clay and concrete products in the UK. In the US, clay products sold to distributors constituted the majority of sales for the year, with the remainder sold to housebuilders, contractors and developers. These customers are not always the same as the individuals and organisations that are making the buying decisions for the Group's products. In many cases, the preference of the end users or their specifier dictates the choice of product rather than the intermediary that actually purchases the product from the Group. The unrivalled choice of products available within the Group's range of clay bricks provides these customers with the widest selection from which to choose. As a full-range supplier, our concrete businesses provide customers with broad product set upon which to base their buying decisions.

Communities

The Group interacts directly with the communities within which we operate. In addition to the employment provided by, and taxation contributed by, the Group, our Resources and relationships section on pages 26 to 31, together with the Group's Environmental Report, set out a number of examples of this interaction as the Group aims to be a "good neighbour" and contribute to those communities. lbstock is a proud member of "Business in the Community".

Our strategy

The Group's aim

To continue to develop and invest in its market-leading building products businesses and to be its customers' partner of choice by providing consistent, high-quality, reliable and innovative products from safe and healthy work environments.

Safety



Continuing to focus on a safe working environment, systems and behaviours that have the development of employees and customer service at its core.

What we achieved in 2017

Coinciding with European Week of Safety and Health at Work 2017, we re-launched the Group's 12 fundamental pillars to Health and Safety across each of our subsidiaries.

The Group is well-known for its long-standing commitment to Health and Safety ("H&S") and innovations such as the reverse-braking technology used on our mobile plant have helped to reinforce this commitment.

Nine Ibstock Brick projects were recognised for their commitment to Health and Safety at the British Ceramic Confederation's Pledge awards in October 2017.

This continued commitment has seen the key Lost Time Accidents metric reduce to 18 in 2017.

Our objectives for 2018

Establish a five-year H&S strategy that focuses on developing a world class culture and performance through the continuous improvement of engineering excellence, management systems and the adoption of a behavioural safety programme. We will take the opportunity to further develop our emphasis on people by including a clearly defined health and wellbeing programme.

Links to KPIs

- Lost Time Accidents

Invest



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

What we achieved in 2017

2017 saw the commencement of commissioning of the Major Capital Expenditure Projects across our UK clay brick operations with the new soft mud factory in Leicestershire and new kiln facilities at the Lodge Lane factory in Staffordshire. Additionally, production ramped up following the installation of a new bespoke machine at our Barnwell concrete factory in Cambridgeshire.

The successful completion of these Major Capital Projects continues the Group's strong track record of investing in order to improve efficiency and meet increasing demand.

Our objectives for 2018

The focus for 2018 will be on delivering the benefits of the Group's new investments in order to achieve all of the efficiencies desired.

During 2018, management will continue to appraise other investment opportunities across the Group to identify the next Major Capital Expenditure Projects.

Links to KPIs

- Revenue
- Return on capital employed (once operational)
- Adjusted EBITDA
- Cash flow before major projects
- Lost time accidents

Innovate



Penetrate markets through innovative products.

What we achieved in 2017

We successfully launched our new PAN8® roof tile to the UK market – the second tile profile to be made on our new roofing tile line in Leighton Buzzard, Bedfordshire.

Forticrete also launched the revolutionary Low Pitch Roof Window System, which allows the installation of a roof window at angles as low as 10°. This is lower than the minimum pitch of many traditional roof window systems and maximises the distance that properties can be extended with the benefit of natural daylight.

Ibstock Kevington introduced Nexus® – our next generation brick-faced support system. The new system combines a specially developed lightweight brick-faced steel unit with a support system and offers easier handling coupled with maximum adjustability, both vertically and horizontally, for quick and simple alignment on site.

Our objectives for 2018

Continuing to develop/acquire components or component businesses to complement our existing business. The Group continues to assess opportunities to broaden its components portfolio.

Links to KPIs

- Revenue
- Net promoter score
- Return on capital employed
- Adjusted EBITDA
- Cash flow before major projects
- Lost time accidents

Key performance indicators

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

Revenue

£452m

(2016: £435m, 2015: £413m)

Definition

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

Strategy links



Cash flow before major projects¹

£105m

(2016: £98m, 2015: £92m)

Definition

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

Strategy links



Adjusted EBITDA¹

£120m

(2016: £112m, 2015: £107m)

Definition

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

Strategy links



Net promoter score²

43%

(2016: 42%, 2015: 44%)

Definition

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

Strategy links





Safety



Invest



Innovate



Improvement



Deterioration



No change



Remuneration link

1 – KPIs are Alternative Performance Measures, described in Note 3 to the financial statements

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

3 – the Group's ROCE definition has been updated in the year, as described in Note 3 to the financial statements. Prior year figures have been restated accordingly.

4 – the Group's LTA definition has been updated in the year to include contractor accidents working on our sites. Prior year figures have been restated accordingly.

Adjusted EPS¹**21.4p**

(2016: 18.1p, 2015: 16.4p)

Definition

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

Return on capital employed^{1,3}**18.3%**

(2016: 17.2%, 2015: 17.4%)

Definition

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

Strategy links

Strategy links

Net debt to adjusted EBITDA¹**0.98x**

(2016: 1.19x, 2015: 1.35x)

Definition

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

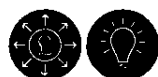
Lost time accidents⁴**18**

(2016: 20, 2015: 23)

Definition

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

Strategy links



Strategy links



Resources and relationships

Our people lie at the heart of the Group’s operations.

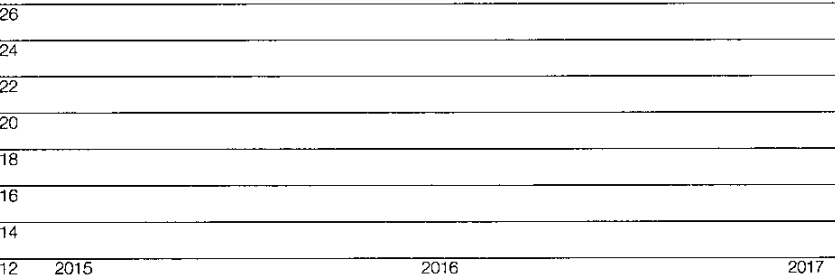
Our shareholders, employees, customers and suppliers are the Group’s key stakeholders. Each is essential to the success of our business model. Additionally, communities in which we operate, our lenders, pension schemes, governments and other regulatory bodies have an important relationship with the Group. The Directors remain aware of the impact that our business activities have on these stakeholders, as well as our impact on the environment. In determining our long-term decisions; we consider the consequences for each.

Our employees

Health and Safety
The Group, as with many manufacturing businesses, faces the risk that an employee may be injured whilst engaged in work activities. The most common injuries within our business arise from slips and trips, contact with moving machinery and manual handling injuries. As such, it is a strategic priority to focus on Health and Safety (“H&S”) in the workplace, and is at the core of our operations.
The Group employs over 2,800 people across the UK and US and it is the Group’s objective to provide a healthy and safe working environment for all our employees and the contractors at Ibstock sites. See also our Strategy on pages 22 and 23, and risk number 3 within our principal risks and uncertainties on page 35.

As a large employer in both the EU and the US, the Group must comply with all relevant national and local regulatory requirements. These combined with industry specific codes of practice and guidelines establish minimum health and safety requirements, and under such laws and regulations, employers typically must establish the conditions and the management of work in a manner that effectively prevents or adequately controls hazards within the work environment. These documents are used to help define Group policies and procedures for all employees. These are set out in the Ibstock Health and Safety Policy Manual.
The Group has training programmes in place to ensure all employees are competent to carry out their duties and an auditing protocol is in place to ensure policies and procedures are effective and adhered to. A dedicated team of Health and Safety professionals support the operational employees in all aspects of Health and Safety management and leadership.

Number of Lost Time Accidents by year



To mark the European Week for Safety and Health at Work, we launched a series of new videos to remind employees about the importance of Health and Safety in the work place. The videos cover employees at each of our individual businesses as well as contractors, and are based around The 12 Fundamentals – the main points on which the organisation's Health and Safety policies are built. They are aimed at promoting a culture of Health and Safety awareness amongst employees and highlights how best practice can keep staff safe.

It is the Group's objective to achieve zero injuries and we continue to reduce the number of lost time accidents incurred each year. We are happy to report a reduction in the current year with 18 LTAs in the year ended 31 December 2017. This represents a fall of 10% year-on-year. The Board continues to regularly monitor the Group's performance against our Lost Time Accidents KPI, and this focus continues to play a part in reducing this KPI measure over recent years. In 2017, the KPI was amended to ensure the inclusion of LTAs of both company employees and contractors. This incremental focus has been given to ensure that the safety of the significant number of contractors working at the Group's operations is considered equally within our key safety metric.

2015	2016	2017
23	20	18

In addition to continuing our long-term focus on the improvement in LTA performance, 2018 will also see the definition and commencement of our new five-year Health and Safety strategy and the health and wellbeing programme, as outlined in our Strategy section on page 23.

Equality and diversity

We recognise the unique contribution of each and every person that we employ and aspire to provide a harmonious working environment where everyone can grow their skills and thrive together and share in our success. The Group's diversity policy guides us to ensure that all job applicants, employees and other workers (such as agency staff and consultants) are treated with dignity and respect regardless of any personal characteristics.

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

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

The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective. The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

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

As a building products manufacturer, Ibstock has traditionally attracted a very high proportion of male employees, especially within factory-based production roles. Office-based support roles have a more even split of male and female employees, including high representation of women in customer support roles.

The Group acknowledges the aims, objectives and recommendations outlined in the Hampton-Alexander Review which is focused on ensuring talented women succeed by removing barriers to their success, and continuing to drive forward the momentum of the Davies Review – "Women on Boards".

We are aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. However, we do not consider that it is in the best interests of the Company, or its shareholders, to set prescriptive targets for gender and we will continue to make appointments based on merit, against objective criteria to ensure we appoint the most suitable person for each role.

We are working hard to encourage more females into the business. Our current employee population reflects the traditional nature of the industry, with around 85% of roles being occupied by men, including a high percentage of males employed in factory-based production roles.

Our employee population is therefore reflective of the manufacturing sector as a whole, and especially within building products manufacturing where men have traditionally performed factory-based production roles.

Gender split across the Group

All employees

1. Male	2,448
2. Female	393

1
2

Senior managers

1. Male	7
2. Female	1

1
2

Company Directors¹

1. Male	5
2. Female	2

1
2

¹ – Lynn Minella resigned from the Board on 31 December 2017 and Joe Hudson was appointed to the Board on 2 January 2018.

Resources and relationships continued

It's all about the people

Gaynor Richards
Personal Assistant to the CEO and CFO, Ibstock plc

Having joined the business in 1984 Gaynor has witnessed many milestones in Ibstock over the last 30 years including the acquisitions of Supreme, Forticrete and Anderton, and more recently the plc floatation in 2015.

Apprentice of the year 2017

This year's award went to Ben Lumsden, 3rd Year Dual Skilling Engineering Apprentice at Throckley Factory.

Ben has taken on two apprenticeships in a condensed timeframe and he has shown exceptional academic achievements so far, which he should be very proud of.

He clearly enjoys being on the apprenticeship scheme and has demonstrated this recently by becoming an employee representative for the apprentices at EEF and also an Apprentice Ambassador for Ibstock Brick.

We are sure that Ben will embrace the opportunity given to him, and progress his exceptional study work into practical development at Throckley and the Ibstock brick business.

Our gender diversity performance is displayed in the charts on page 27 and in the year we redoubled our efforts in this area with the formation of a Groupwide 'Women in business' forum promoting greater engagement from our female leadership and talent pipeline. This internal network is intended to ensure women across our companies feel supported in achieving their career aspirations, through peer support and focused coaching, as appropriate.

The Group is pleased to comply with new gender pay gap regulations and we believe firmly in providing equal opportunities regardless of gender or ethnicity. The results of our gender pay gap for the two impacted UK subsidiaries are noted below.

Gender pay gap

	Difference in mean pay between men and women
Ibstock Brick	7%
Forticrete	21%

We view the gender pay gap data as a valuable tool to help understand why our own business and our industry are missing out on female talent. We are proud of the steps we have already taken, and continue to take, to encourage more females into our business. The above table demonstrates that there is variation across the Group and we believe further continued action needs to be taken to increase the representation of women within our production facilities, which offer diverse roles suitable for all. We see gender pay gap reporting as a critical step in our drive to attract, retain and develop a diverse workforce across the Group.

Training and apprenticeships

Our people lie at the heart of the Group's operations and as such we are committed to developing an environment where every employee can thrive and give their very best each and every day. Our continual investment in their training and development contributes to a highly engaged workforce with the skills and experience necessary to deliver the Group's business objectives both now and into the future. In 2017, over 9,000 days of training were provided to the Group's employees and we deliver a comprehensive development programme covering a range of topics from operational skills improvement through to modular and structured Leadership Programmes to support our succession plans. We pride ourselves on developing our people and around 20% of roles were filled by internal applicants ensuring our people are able to fulfil their career aspirations and we retain their in-depth skills and knowledge of our customers and operations, which is one of the key reasons for our continued success.

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

However, all employees will eventually retire, and over the last 20 years the Group has run a highly successful apprenticeship programme. Since 2012 we have enhanced this programme through central co-ordination and standardisation to ensure all apprentices are trained to a consistent standard, including specific sign off within the organisation over and above that of the training provider.

Our apprenticeship scheme ensures that we mitigate the risk of an ageing workforce and harness the skills and experience of these people so that when they retire their replacement is fully trained and competent to take over their role.

Currently, we have 34 members of our apprenticeship scheme, completing technical, mechanical or electrical apprenticeships and in a male-dominated environment; we were pleased to have recently recruited our first female apprentice, who will commence her apprenticeship in September 2018. Our objectives for 2018 include finalising the feasibility assessment of expanding our offering to an Operators' apprenticeship which will be based upon the Sciences Manufacturing Process Operative Standard.

Employee engagement

Delighted customers can only be delivered through highly competent, engaged and diligent people. The day-to-day relationships with our customers are central to our success and have often been built through personal relationships going back many years. To mitigate the risk of disappointing our customers, we are proud that our employee retention levels are high. In 2017, our employee retention rate was 88% and, when combined with our service profile, demonstrates a sustainable organisation where people feel valued and advocate us as being a great employer.

A variety of methods are used to engage with employees, including factory and team meetings; departmental briefings; and in-house publications. The Group will use one or more of these channels to brief employees on the Group's performance and the financial and economic factors affecting the Group's performance. In particular, the Group operated a Save As You Earn ("SAYE") share scheme in 2015/16 and has announced a new scheme for 2018 at the maximum allowable discount of 20%. The scheme is open to eligible employees, who are encouraged to save a fixed monthly sum for a period of three years. There has been a high level of participation in the 2015/16 scheme from Ibstock employees and we

are hopeful this will be replicated in the 2018 scheme as we encourage employee membership so that they can share in the Group's success.

Ibstock Brick, the largest operating company within the Group, has run employee opinion surveys for the last 19 years and this has been extended across the wider Group during 2017. The new questionnaire is based upon the four enablers of engagement (leadership, engaged managers, employee voice and integrity). Consistently our response rates have been in excess of 80% and allow us to identify specific improvement areas and formulate action plans to consistently improve employee engagement. In extending the survey, it was comprehensively revised to ensure that we fully capture the true drivers of employee engagement and ensure that we continue to deliver for our customers. Despite the positive overall outcomes, which were in line with external industry benchmarks, the Group recognises the vital importance of employee engagement. As such, each department has been tasked with preparing an action plan to address any concerns specific to its employees. We recognise that to remain a great employer we must never be complacent and are totally committed to listening to our employees ideas and opinions.

Innovation

In addition to the Group's tangible assets, such as our reserves and resources and property, plant and equipment, our strong brand names and customer base are recognised as intangible assets within the Group balance sheet. This recognition has arisen as a result of the acquisition of the trading businesses in February 2015 and demonstrates the value attributed to the strong reputations of the Group's businesses. Certain other intangibles are not recognised within the financial statements, including the employees (see above section on Company employees) and the Group's strong market position (see Our markets section on page 18 and 19).

The Group continually seeks to improve the quality of its existing products and processes, as well as to introduce new products through innovation and investments in new technology. This innovation reduces the risk that we are unable to respond to our current customer or business needs, but also helps us to anticipate future trends.

The Group's innovation efforts are pursued at each of the Group's four primary operating businesses. In 2017, within Ibstock Brick we added 16 new bricks to our range resulting in sales of over five million bricks. In particular, the introduction of the "Collington blend" brick at our Ashdown factory sold over 1.3 million bricks with the product addition

contributing to the factory's profitability. Our UK brick range is already the most extensive in the market and our innovative focus to expand the colour, size and texture options available, as well as entering new markets, continues to ensure that our range remains market leading.

Further examples of innovative products and concepts developed during 2017 include: the Glen-Gery "StoneFit" laminate stone products – an innovative stone cladding solution that uses patented interlocking panels; and Supreme Concrete's "Padstones" – an accessory to compliment the existing lintel range, which offers strength and value for money.

Furthermore, at Group level, innovation is pursued through collaborative projects among the businesses. The Group has a strong track record of award-winning products, including:

- Brick Development Association ("BDA") Awards – Ibstock Brick has a long track record of award wins having been in more than half of the award winning categories and multiple "supreme" award winners. In 2017, this includes supplying bricks to the Supreme Award winner, South Gardens, which also won the Large Housing Development Award. Our bricks were also used in five other category-winning projects as well as receiving three commendations from the expert judging panel;
- Ibstock Brick was recognised for its marketing support at the recent Jewson supplier awards being awarded with the Juice Award for Best Marketing Support in December 2017 (see case study);
- Brick in Architecture Awards – Glen-Gery has won numerous awards across a broad range of categories in the last five years; and
- Ibstock Brick best service provider (manufacturing) of the year to Barratt Homes for 2016.

Responsible business

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

Juice Award for Best Marketing Support

From left to right: Thierry Dufour, Managing Director for Jewson; Simon Taylor, Director of Sales, Merchants for Ibstock Brick; Sue Foster, National Account Manager for Ibstock Brick and Martin Lake, Category Director for Jewson

Ibstock Brick has been recognised for its marketing support at the Jewson annual supplier awards.

The UK's largest brick manufacturer picked up the Juice Award for Best Marketing Support at the event which took place as part of the Jewson annual conference and customer show in December. The award recognises Ibstock's commitment, engagement and support in helping Jewson to improve its brick offering for customers.

Resources and relationships continued

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

Building on these compliance policies, 2017 saw the first year of the Group's new online compliance training. This web-based compliance training was completed by 100% of the UK employees surveyed with the US exercise currently ongoing. The training covers a wide range of the Group's policies and codes of practice, including Anti-Bribery, conflicts of interest, business ethics and diversity.

In 2017, our tax strategy was disclosed on the Group's website (<http://www.ibstockplc.com/~media/Files/Ibstock/documents/tax-strategy-fy17.pdf>). This formalises the Group's approach to conducting its tax affairs and managing our tax risks. Our vision for tax is to be a responsible corporate citizen, contributing the right amount of tax to society at the right time and in the right tax jurisdiction whilst maintaining our integrity and corporate reputation and continuing to deliver value for our shareholders. In this statement, we set out our strategy for conducting our tax affairs and managing tax risks.

In preparation for the new Criminal Finance Act legislation, the Group undertook a risk assessment exercise facilitated by the outsourced Internal Auditor. This reaffirmed the relatively low risk across the Group due to the limited international scope of our operations and blue chip nature of our major customers and suppliers.

Respect for human rights

The Group is aware of its obligations under the Human Rights Act and seeks to act accordingly in all aspects of its operations. Modern slavery is an international crime and we are committed to taking all necessary steps to prevent modern slavery within our business and also within our supply chains. During the year, the Group's Modern Slavery Statement was published in accordance with the Modern Slavery Act 2015 and publicly summarising the principals of the Group's Modern Slavery policy (see <http://www.ibstockplc.com/~media/Files/Ibstock/investor-docs/results-and-presentations/Ibstock-modern-slavery-statement.pdf>).

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

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

Anti-corruption and bribery

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

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

Social matters

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

The Group is proud of its long history of being part of the local communities in which it operates. Each of the companies within the Ibstock family provides financial support, and is actively engaged in, these communities. This involvement ranges from financial support for community projects to stakeholder engagement relating to quarry extensions. Some examples of our involvement are included within our Environmental Report. This sets out several case studies from across the Group illustrating how we have engaged with local communities.

Ibstock became a member of "Business in the Community" ("BITC") in 2016 and during the year ended 31 December 2017 our involvement has stepped up. The Group has undertaken visits alongside BITC staff to assess employment opportunities within communities identified by them, and we plan to progress this further during 2018.

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

Our wider social policies are not discussed due to their immateriality.

Environmental matters

The Group, like any successful business, must be conscious of the impact its operations have on the environment. As a manufacturer, the Group's impact can be significant.

Our products make use of a variety of raw materials, some of which require extraction. Where the Group undertakes its own extraction, we are subject to restoration obligations that may involve the reinstatement of quarries following our use. We monitor such obligations carefully and work with local authorities and communities to ensure quarry reinstatement is carried out most effectively. We are subject to laws and regulations in the UK and the US governing the protection of the environment and natural resources.

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

By recognising our responsibilities as a manufacturer to reduce the environmental impact of our operations, we are committed to introducing environmental management systems and all of our UK businesses are now accredited with ISO 14001 – the International Environmental Management standard. Our US business has an established Environmental Management System, which incorporates energy management. In addition to this, we continue to invest in energy efficiency, CO₂ reduction, the generation of electricity from landfill gas and the recycling of raw materials, such as process water, to minimise waste and cost.

Ibstock Brick is also accredited with ISO 50001 – the International Energy Management standard (EMS), which provides a framework of requirements for organisations to continually improve and integrate energy management into their overall efforts to improve environmental management. All of our UK businesses are fully compliant with the Energy Saving Opportunity Scheme (ESOS) and have had relevant energy assessments carried out in order to identify areas for energy savings.

Greenhouse Gas ("GHG") emission figures

Greenhouse Gas emission source	Tonnes of CO ₂ e	
	2017	2016
Scope 1 – Combustion of fuel and operation of facilities	430,040	426,173
Scope 2 – Electricity	64,747	72,276
Intensity ratio: Tonnes of CO ₂ e per tonne of production	0.19	0.19

Scope 1 and Scope 2 emissions data has been collected from the majority of locations operated or controlled by the Group, with some estimations used for the US subsidiary entity's locations and immaterial UK subsidiaries. UK Government conversion factors and EUETS verified emissions have been used.

Emission sources falling outside the Group's operational control and other Scope 3 emissions have not been collated and reported.

The Group has used CO₂ per tonne of production as its intensity ratio as this is the most appropriate and relevant factor associated with our activities and should provide an appropriate basis on which to compare trends over time.

The strategic location of the Group's manufacturing plants with a wide spread of factory locations across the UK and our regions in the US; enable us to minimise the transport distances of products from leaving our premises to reaching the customer. This assists in reducing the environmental impact of transporting our products. In the UK, the Group predominantly outsources its haulage to two contractors who, as significant companies in their own right, maintain high standards of road safety and strive to minimise their own environmental impact. From a wider sourcing perspective, all UK businesses comply with BES 6001 – the Framework Standard for Responsible Sourcing. Our responsible sourcing of construction products is demonstrated through our ethos of supply chain management and product stewardship. This encompasses social, economic and environmental dimensions.

In addition to the Greenhouse Gas emission figures, set out in the table above, the Group also utilises a number of other key measures in assessing the effectiveness of its environmental policies. These are set out within our Environmental Report, which the Group issued most recently in May 2017.

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

Landfill is a finite resource and becoming increasingly scarce. As a Group, our objective is to move towards "Zero waste to landfill" and we follow an established hierarchy for waste management, monitoring the amount of waste to landfill per tonne of production.

Principal risks and uncertainties

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

The Board is assisted in discharging this responsibility through its Audit Committee, whose role includes review of the Group's internal control and risk management system. The report of the Audit Committee can be found on pages 59 to 64, whilst details of the Group's system of internal controls can be found in the Corporate Governance statement on page 57.

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

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

The principal risks are set out together with:

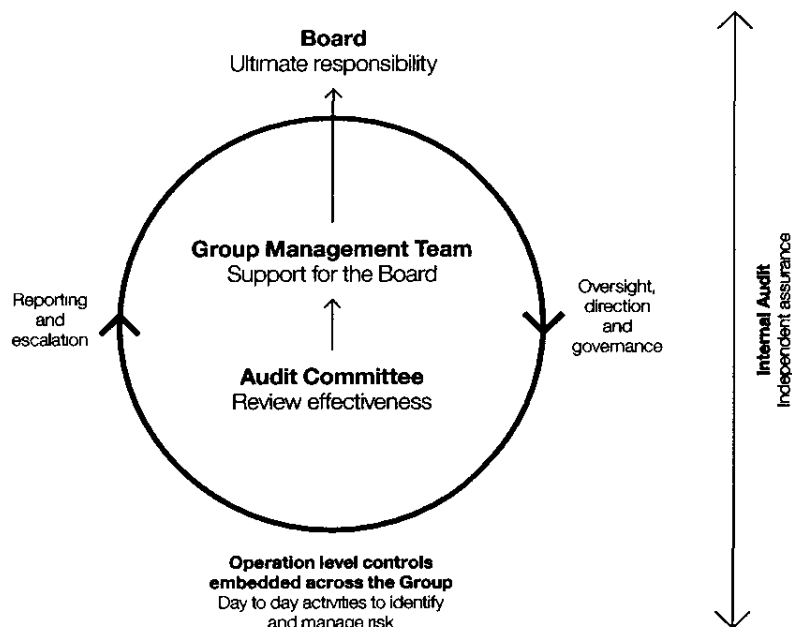
- A description of the risk and its potential impact;
- Examples of current controls and mitigation the Group has in place;
- An indication of direction of travel of the risk exposure; and
- An indication of the link to the Group's strategy, as set out on pages 22 and 23.

Risk management framework

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

During 2017, a key component of the Directors' assessment of the risk was management's review of the risk matrices prepared by each subsidiary entity. Following the formation of the Group Executive Committee, this body will perform a further review role in 2018 and beyond.

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



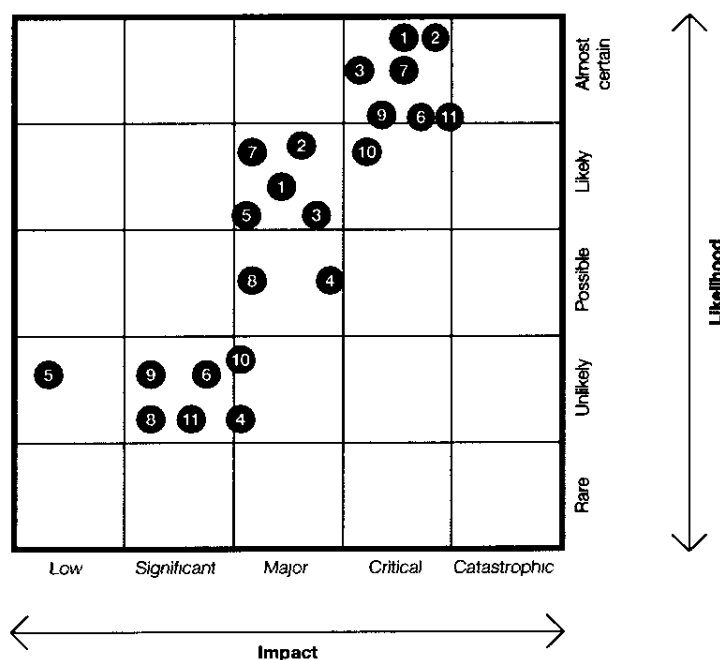
Managing risk

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

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

- Inherent risk
- Residual risk

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



Principal risks and uncertainties continued

Principal risks

The UK Referendum on EU membership in June 2016 introduced a degree of uncertainty and may give rise to longer-term macroeconomic changes which as outlined in Risk 1, below, could reduce demand for the Group's products.

The potential impacts of 'Brexit' could be more pervasive and impact several of the principal risks identified by the Group and so, shortly after the UK Referendum result was announced, a Brexit Committee was established. As part of this Committee's remit, contingency plans were developed to mitigate risks arising from the interaction of Brexit and our Principal risks.

1 Economic conditions



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

Strategy link

Invest
Innovate

2 Government action and policy



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

Strategy link

Invest
Innovate

Mitigation

The Group analyses construction statistics for the past five years and, using independent forecasts of construction statistics, forecasts future demand with the aim of anticipating market movements.

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

The Group's repair, maintenance and improvement ("RMI") and specification product ranges diversify end-use exposure and provide greater resilience in light of changing market demand in any of its end-use markets.

Mitigation

The Group analyses construction statistics for the past five years and, using independent forecasts of construction statistics, forecasts future demand with the aim of anticipating market movements.

In the UK, the major political parties each included favourable housing policies within their 2017 General Election manifestos. This positive policy environment has been further supported by announcements following the election – namely, the £15.3 billion new financial support for house building over the next five years; the abolition of stamp duty on homes under £300,000 for first time buyers; and £34 million government investment in teaching construction skills such as bricklaying – all announced in the Autumn Statement 2017. These measures, in addition to the existing National Planning Policy Framework ("NPPF") and Help to Buy scheme, show the Government's ongoing commitment to house building. However, the Group recognises the risk which can result from political changes or economic uncertainty.

RMI and new housing demands are, to a certain extent, counter-cyclical to each other, providing some balance to the portfolio of offerings for the Group.

Movement of risk

- Increase
- Decrease
- No change

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

The Group's production, manufacturing and distribution activities are subject to health and safety risks. The Group is subject to environmental, health and safety laws and regulations and these may change. These laws and regulations could cause the Group to make modifications to how it manufactures and prices its products. They could also require the Group to make significant capital investments or otherwise increase its costs or this could result in liabilities.

Failure of the Group to comply with the relevant regulations could result in the Group being liable to fines or a suspension of operations, which would impact the Group's financial results, together with any associated negative reputational damage.

Strategy link

Invest
Safety
Innovate

Mitigation

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

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

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

4 Customer relationships and reputation

The Group receives a significant portion of its revenue from key customers and the loss of any such customer could result in a significant loss of revenue and cash flow. Further, the Group does not have long-term contracts with its customers and the Group's revenue could be reduced if its customers switch some or all of their business with the Group to other suppliers.

At 31 December 2017, the Group recognises intangible assets for customer relationships and brands valued at £72.6 million and £43.4 million, respectively.

Strategy link

Innovate

Mitigation

The Group has a service-led ethos with many top customer relationships lasting over 40 years. The Group's customer focus is supported by a commitment to quality, service and consistency.

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

All four of the Group's primary businesses have their own sales teams aligned by customer group and region in order to focus on key decision makers and customers. Key account management is supervised at a senior level where long-term relationships benefit from the continuity of senior management who have the ability to liaise across the Group's businesses.

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

5 Business disruption

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

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

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

Strategy link

Innovate

Mitigation

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

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

Although weather conditions are completely beyond the Group's control, fortunately, in both the UK and US in 2017 the Group's trading was not adversely affected. Management do not underestimate the potential impact that future prolonged periods of bad weather could have.

The Group's wide geographical spread mitigates this risk to some extent and allows it to manage its production facilities to mitigate the impact of such disruption.

Principal risks and uncertainties continued

6 Recruitment and retention of key personnel



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

Strategy link

Safety
Innovate

Mitigation

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

The Group believes that it is essential to protect and develop the management team, where appropriate ensuring that the team is structured in a way which best takes advantage of the available skills and robustly identifies the team and structure for the future. Extensive succession plans are in place, which is key to ensuring a managed transfer of roles and responsibilities (see Nomination Committee Report on pages 55 and 56).

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

7 Input prices



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

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

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

Strategy link

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Mitigation

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

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

8 Product quality



The nature of the Group's business may expose it to warranty claims and to claims for product liability, construction defects, project delay, property damage, personal injury and other damages. Any damage to the Group's brands, including through actual or alleged issues with its products, could harm our business, reputation and the Group's financial results.

Strategy link

Innovate

Mitigation

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

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

9 Financial risk management



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

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

Strategy link

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Mitigation

- **Foreign exchange risk** – The Group undertakes limited foreign exchange transactions, with the UK and US businesses selling domestically with largely local input costs. Some capital expenditure requires foreign exchange purchases and management considers foreign exchange hedging strategies where significant exposures may arise.
- **Credit risk** – Customer credit risk is managed by each subsidiary subject to the Group's policy relating to customer credit risk management. The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter.
- **Liquidity risk** – The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements and liabilities when they become due. In March 2017, the Group entered into new facilities of £250 million, as set out in Note 18 of the Group financial statements
- **Interest rate risk** – The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's bank borrowings, other facilities and deposits are in Sterling and at floating rates. No interest rate derivative contracts have been entered into at the year end.

10 Pension obligations



The Group has obligations to its employees relating to retirement and other obligations and any changes in assumptions or in interest rate levels could have adverse effects on its financial position.

Strategy link

–

Mitigation

The Company plays an active role in the Ibstock Pension Scheme – nominating up to half of the Trustees and the Group Chief Financial Officer attends and chairs Trustee meetings. The Ibstock Pension Scheme, which is a defined benefit scheme, was closed to future accrual in January 2017 following consultation with members. The Pension Trustees and their external advisers, as well as the internal pensions team, have significant expertise in the area and provide oversight. Following closure, the Scheme's Statement of Investment Principles, which documents the Scheme's investment strategy to provide appropriate security and achieve an appropriate balance between risk and return, was subject to review. An updated policy has been developed, after taking suitable advice, to ensure that investments continue to maintain appropriate balance following the Scheme changes.

11 Cyber security



Recent high-profile attacks on companies across a number of industry sectors (including one of our own major customers) have highlighted the damage that can now be caused by hackers and cyber terrorists. As a result, and as the Group continues to evolve, operational risks such as cyber security risk have increased in focus.

Such IT security risks have the ability to significantly disrupt the Group's business, resulting in financial loss. The Group does not operate in a high-risk sector, yet the Group is committed to ensure that its network, applications and data are protected.

Strategy link

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Mitigation

During the year, the Group has completed a review using an external cyber security programme framework, which provides coverage across the key areas of cyber security and aligns with industry standards. Good progress was made during 2017 in addressing the findings of the review

Financial review

Group results

We are now well-placed to benefit from the additional capacity available against a backdrop of continuing favourable market conditions.

Kevin Sims,
Chief Financial Officer

Group results

Group revenue in the year ended 31 December 2017 saw an increase of 3.9% to £451.6 million (2016: £434.7 million). Growth in revenue was driven by the performance of our UK businesses, which saw increased trade with housebuilders and builders' merchants in 2017. On a constant currency basis¹, revenue growth was 3.0%. In addition, the construction phase of the Group's previously announced major investment projects drew to a conclusion during the year. We are now well-placed to benefit from the additional capacity available against a backdrop of continuing favourable market conditions.

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

Prior to exceptional costs (see below), profit before taxation was £88.3 million, representing growth of 12.0% on the prior year.

Group statutory profit before taxation was £83.4 million (2016: £110.9 million) – a decrease of 24.7%. This decrease reflects the exceptional non-cash credit of £30.3 million in the prior year which arose on the closure of the UK defined benefit pension scheme and additional one-off non-cash finance costs (£6.4 million) which arose in H1 2017 when the Group undertook a refinancing.

Alternative performance measures

This results statement contains multiple alternative performance measures ("APMs"). A description of each APM is included in Note 3 to the financial statements. With the exception of our Return on Capital Employed ("ROCE") measure, the metrics used are consistent with those presented in our 2016 Annual Report and Accounts and there have been no changes to the bases of calculation. We have amended our ROCE calculation during 2017 in light of the recent guidance on APMs from the FRC and ESMA regulatory bodies and in order to provide a clearer, more comparable definition with other companies.

Adjusted EBITDA

Management measure the Group's operating performance using Adjusted EBITDA, which increased by 7.1% to £119.6 million in the year ended 31 December 2017. The increase is driven by the Group's revenue growth in the UK. Input costs for the year were broadly in line with inflation at around 3%, the exception to this being energy which increased in both the UK and US by circa 16-18%. This significant increase was partially mitigated by the disposal of surplus carbon credits, which reduced this increase to circa 8%. We work with an external consultant throughout the year to manage our energy purchasing; and buy and sell these credits at opportune times.

Adjusted EBITDA also includes a benefit of £1.7 million relating to the effective management of Research and Development claims for 2015 and 2016 (2016: £ nil). Management anticipates that further claims will be achieved going forward.

Our US operations saw previous headline infrastructure announcements fail to materialise during 2017. Combined with a highly competitive residential market in the regions in which Glen-Gery operates, we saw adjusted EBITDA reduce by 12.1% during 2017 in constant currency terms. Overall the US accounts for 10% of the Group's adjusted EBITDA (2016: 11%).

Cash flow and net debt

Cash generated from operations during 2017 is shown in Table 1, below.

Our cash generation was in line with our expectations and operations remained strongly cash generative in the year ended 31 December 2017, with the Group's cash conversion static at 88%. Adjusted free cash flow increased markedly due to increased profitability and reduced expenditure on major capital projects during the year although this was mitigated to some extent by greater taxation payments during 2017. Taxation payments in the prior year were reduced due to tax relief on refinancing expenses incurred in 2015.

A net working capital balance at 31 December 2017 of £48.2 million compares to £46.1 million at 31 December 2016. Despite inventory destocking within our UK Clay operations, the movement reflects increased inventory in our US operations and UK concrete products (particularly roof tiles) as management sought to build inventory levels towards the year end. Trade receivable levels year-on-year also increased due to the higher sales activity in 2017. These increases are offset to some extent by an increase in trade payables, which has arisen as a result of the increased activity in the final months of 2017.

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

	2017 £'m	2016 £'m	Change £'m
Adjusted EBITDA ¹	120	112	+8
Share-based payments	2	2	-
Capex before major projects ²	(15)	(15)	-
Change in working capital	(2)	(1)	(1)
Adjusted EBITDA – maintenance capex – change in WC	105	98	+7
Cash conversion ¹	88%	88%	-
Major project capex ²	(23)	(44)	+21
Adjusted cash flow from operating and investing activities	82	54	+28
Net interest	(4)	(5)	+1
Tax	(13)	(7)	(6)
Post-employment benefits	(6)	(4)	(2)
Adjusted free cash flow	59	38	+21

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

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

Financial review continued

Net debt¹ (borrowings less cash) of £117.0 million at 31 December 2017, compares to £132.8 million at the prior year end. In March 2017, the Group refinanced its debt arrangements and entered into a £250 million revolving credit facility ("RCF") with a group of six major banks. The five-year facility contains interest cover and leverage covenant limits of 4x and 3x, respectively. These covenant requirements are consistent with our prior debt facility and the Group remains significantly within both limits. See Table 2 below.

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of its US operations from US Dollars to UK Sterling. Sterling depreciated against the Dollar in the year to 31 December 2017, the average exchange rate of \$1.28:£1 was below that of the equivalent period in 2016 (\$1.35:£1) and has resulted in a £0.5 million benefit to Adjusted EBITDA in 2017.

Exceptional items

In line with our accounting policy for exceptional items, we have excluded certain items from our Adjusted EBITDA to aid shareholders' understanding of our underlying financial performance.

Infrequent events, such as the non-cash interest expenses arising from our refinancing in March 2017 (see below) and the income statement credit of £1.7 million arising on the release of our provision for contingent consideration following Bain Capital's disposal of interests in the Group's shares, have been treated as exceptional in the current year. Further details of exceptional items are set out in Note 5 of the financial statements.

Finance costs

Net finance costs of £11.4 million were incurred in the year (2016: £3.1 million). As noted above, the single largest element of the current year charge was exceptional finance costs of £6.4 million. These non-cash interest charges, which were treated as exceptional, arose in the year in respect of accelerated debt issue fees (£3.3 million) and accounting adjustments caused by the prior year interest rate change (£3.1 million) – the latter equivalent to a non-cash gain from the prior year, which had been similarly presented as exceptional in the comparative disclosures.

Taxation

The Group recorded a taxation charge of £9.9 million (2016: £20.5 million) on Group pre-tax profits of £83.4 million (2016: £110.9 million) for the year ended 31 December 2017, resulting in an effective tax rate ("ETR") of 11.8% (2016: 18.5%). The impact of the reduction in the US federal tax rate on the Group's US deferred tax balance and the recognition of the tax benefit claimed in respect of the IPO transaction costs incurred during 2015 had a significant impact on the effective tax rate as shown in note 10. Absent changes to the rates of deferred taxation, the Group's ETR would have been 16.7% and 21.3% in the current and prior year, respectively.

Earnings per share

Statutory basic EPS reduced by 19% to 18.1 pence in the year to 31 December 2017 (2016: 22.3 pence) as a result of the Group's reduced statutory profit after taxation which was boosted by the £30.3 million credit arising on the Group's pension scheme closure, as discussed above. This had a 5.7 pence positive impact on the 2016 statutory EPS, which is not seen in the current year.

However, adjusted EPS¹ of 21.4 pence per share increased by 18% – in line with prior years, this metric removes the impact of exceptional non-trading items, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts (net of the related taxation charge/credit). Adjusted EPS is the Group's measure for calculating distributions to shareholders and has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our Adjusted EPS measure is included in Note 11.

Dividend

A final dividend of 6.5 pence per ordinary share (2016: 5.3 pence) is being recommended for payment on 8 June 2018 to shareholders on the register at the close of business on 11 May 2018.

This is in addition to our interim dividend paid in September 2017 of 2.6 pence per ordinary share (2016: 2.4 pence), resulting in a total dividend of 9.1 pence per ordinary share – 18.1% higher than the prior year (2016: 7.7 pence). This is in line with our dividend policy, which is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle. In 2017, the Directors have selected a 42.5% pay-out ratio in determining the proposed dividend (2016: 42.5%).

Supplementary dividend policy

In addition, in light of the Group's strong adjusted free cash flow, the Board has reviewed its capital allocation strategy and preserving the necessary flexibility to accommodate potential acquisition opportunities and consistent with its objective of maintaining a prudent balance sheet, has determined a supplementary dividend policy. This will assess the Group's capacity for supplementary dividends annually, in light of our reducing net debt to adjusted EBITDA multiple and, if approved, will be of a similar scale to the prior year final dividend and paid alongside the Group's interim dividend. Subject to market conditions and capital allocation priorities, the first supplementary dividend is expected to be announced in August 2018 for payment alongside the 2018 interim dividend.

Table 2: Financial covenants (non-statutory)

Covenant	Definition	Requirement	Position at 31 December 2017
Consolidated net debt	Ratio of consolidated net debt to consolidated adjusted EBITDA	< 3 : 1	1 : 1
Interest cover	Ratio of consolidated adjusted EBITDA to consolidated interest expense	> 4 : 1	28 : 1

Table 3: Earnings per share

	2017	2016
Statutory basic EPS	18.1p	22.3p
Adjusted basic EPS	21.4p	18.1p
Adjusted basic EPS (removing impact of deferred taxation change)	20.2p	17.5p

Pensions

During 2016, the Group conducted a consultation with the UK defined benefit scheme members, regarding a proposal to close the scheme to future accrual for all active members. All members consented to this change and, from 1 February 2017, have joined the UK defined contribution scheme. This resulted in a £30.3 million non-cash credit, which was accounted for in our 2016 results.

At 31 December 2017, the defined benefit scheme was in an actuarial accounting surplus position of £46.1 million (31 December 2016: deficit of £28.7 million). At the year end, the scheme had asset levels of £659.4 million (31 December 2016: £683.6 million) against pension liabilities of £613.4 million (31 December 2016: £698.0 million). The improvement in the underlying balance sheet position over the year is primarily due to a combination of strong investment returns and actual inflation being lower than previously assumed. This was partially offset by a fall in corporate bond yields, which resulted in an increase in the value placed on the Scheme's benefit obligations.

The fall in liabilities also reflects the significant values transferred out of the scheme by members following the closure of the scheme to future accrual. The Group continues ongoing work with the scheme Trustees to de-risk the pension and to match asset categories investment strategy with the associated liabilities.

In the current year, in continuing to apply IFRIC 14, management has ceased to recognise an additional liability in respect of the minimum funding obligation following the receipt of legal advice regarding the Group's ability to access a surplus (should one exist) in the pension scheme in the future. See Note 2 for further details of the Group's interpretation of IFRIC 14, the relevant accounting standard.

Within our US segment, certain employees are members of two multi-employer post-employment schemes. At 31 December 2017, a liability of £8.7 million (31 December 2016: £9.4 million) has been recognised in relation to these schemes.

Related party transactions

Related party transactions are disclosed in Note 29 to the consolidated financial statements. During the year, Bain Capital Partners LLC ceased to hold any ordinary shares in Istock plc and no longer has significant influence over the Group. There have been no other material related party transactions during the year ended 31 December 2017.

Subsequent events

With the exception of the final dividend noted above, there have been no further events subsequent to 31 December 2017, which management believe require adjustment or disclosure.

Going concern

The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows generated by the business and the long-term funding in place. As noted above, the Group agreed new banking facilities during the year, with a five-year £250 million RCF replacing the five-year £200 million loan and £40 million committed RCF facility in place at 31 December 2016.

Risks and uncertainties

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

The Group's risk management approach together with these principal risks and mitigating actions are set out on pages 32 to 37.

Kevin Sims

Chief Financial Officer
5 March 2018

Strategic Report

The Strategic Report on pages 1 to 42 was reviewed and approved by the Board on 5 March 2018.

Wayne Sheppard
Chief Executive Officer

Kevin Sims
Chief Financial Officer

1 – Alternative Performance Measures are described in Note 3 of the financial statements.

Financial review continued

Viability Statement

Background

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

Assessment

Management's viability exercise, reviewed by the Audit Committee on behalf of the Board has informed the Directors' assessment of the longer-term viability of the business, as part of the year-end review for the preparation of this Annual Report and Accounts, has robustly assessed the business model, strategy, market conditions, business planning, risks and the liquidity and solvency of the Group. The Group has leading positions within the markets in which it operates, as noted on pages 18 and 19, and its strategy (see pages 22 and 23) is aimed at continuing to strengthen its position in those markets and create value for its shareholders.

The Group's operations (see pages 3 to 5) expose it to a number of risks and the Group's principal risks and uncertainties are noted on pages 34 to 37. The Directors continually review those risks and determine the appropriate controls and further actions. They have further reviewed the impact within the context of the Group's viability. The Group has limited exposure to interest rate risk and foreign exchange rate risk as described on page 37.

Lookout period

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

Based on the evidence available, the Directors believe that it is reasonable to expect continued growth, and consider that a three-year period provides the most appropriate horizon over which to assess viability. The Directors have also considered the financing the Group has in place, which is agreed for a period in excess of the lookout period used. Following the facilities' refinancing in the year, described in Note 18 to the Group consolidated financial statements, refinancing is therefore not considered a significant factor in this current assessment, but debt leverage compliance and the Group's cash requirements are monitored on a continuous basis.

Stress testing

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

Assumptions

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

- The economic climate in the geographies in which the Group operates remains in line with a broad consensus of external forecasts;
- There is no material change in the legal and regulatory frameworks with which the Group complies;
- There are no material changes in construction methods used in the markets in which the Group operates;

Scenario	Link to principal risk and uncertainty (pages 34 to 37)
An economic downturn	
The impact of a severe and prolonged reduction in demand for its products on the basis of reduced house building activity or unexpected changes to Government policy resulting in reduced volume of product sold, as well as a benign environment of prolonged price stagnation on sales.	<ul style="list-style-type: none"> – Economic conditions – Government action and policy
Production cost increases	
A situation whereby the cost of production increases as a result of input cost rises across the Group or additional regulatory costs imposing additional expenditure within the production process, which the Group is unable to pass on its customers.	<ul style="list-style-type: none"> – Input costs – Government regulation and standards relating to the manufacture and use of building products
Disruption in business activities	
The impact of an event, such as prolonged bad weather, a cyber-attack or other unanticipated event, which prevents production at one or more of the Group's facilities and prevents customer demand being met.	<ul style="list-style-type: none"> – Business disruption – Cyber security
Reputational damage	
A scenario whereby the Group's reputation is damaged, as a result of customer relationship breakdown, significant employee disengagement or product quality issues, resulting in a sudden reduction in sales activity.	<ul style="list-style-type: none"> – Customer relationships and reputation – Recruitment and retention of key personnel – Product quality
<ul style="list-style-type: none"> – The Group's risk mitigation strategies continue to be effective; and – The Group's past record of successfully mitigating significant construction industry declines can be replicated. 	
Conclusion	
In summary, the Directors reasonably expect, based on the evidence available, that the Group will continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.	

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 42. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 38 to 41. In addition, Note 22 to the Group consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets.

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

Governance

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Chairman's introduction

The Board aims to ensure that good governance extends beyond the boardroom and is continually borne in mind in the successful delivery of the Group's strategic priorities over both the short and long term.

Jamie Pike
Non-Executive Chairman

Dear Shareholder,

I am pleased to present the 2017 Corporate Governance Statement to our shareholders.

The Board is responsible for the governance of the Group and recognises the importance of corporate governance in assisting the Group to deliver long-term success for its stakeholders. I am pleased to confirm that we have achieved full compliance with the UK Corporate Governance Code throughout 2017.

Your Board manages the Company in a transparent, open and honest manner, which we achieve by maintaining high standards of corporate governance. The Board is ultimately responsible to shareholders for all our activities: for delivering our strategy and financial performance in the long-term interests of the Company, for efficiently using our resources and having regard to social, environmental and ethical matters. The Board approves the Group's governance framework with the Board Committees contributing their specialist focus to key areas such as remuneration policy, internal controls and risk management and succession planning.

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

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

The Board regularly reviews its level of oversight and the monitoring of risks over a variety of areas including strategy, acquisitions and disposals, capital expenditure on new projects, finance, people, and sustainability matters. It will continue to adapt to meet the evolving needs of the Group. The Board aims to ensure that good governance extends beyond the boardroom and is continually borne in mind in the successful delivery of the Group's strategic priorities over both the short and long-term.

On 5 December 2017 the FRC published proposals for a revised UK Corporate Governance Code (the "revised Governance Code"), intended to reflect the changing business environment and to help UK companies achieve the highest levels of governance. I shall be working with your Board on the appropriate implementation of the recommendations of the revised Governance Code by the time it takes effect.

As announced on 11 October 2017, Wayne Sheppard will retire from the Board in 2018. Wayne steered the company through its successful IPO and under his leadership Ibstock has delivered significant shareholder value in its first years as a public listed company. He will be succeeded as CEO by Joe Hudson, who joined the Board on 2 January 2018 as CEO Designate. On behalf of the Board, I would like to thank Wayne for his immense contribution to Ibstock and his commitment to ensure a smooth transition.

On 31 December 2017 Lynn Minella stepped down from the Board, having joined the Company shortly after the IPO. Lynn, who has held a number of senior Human Resources roles, became chair of the Remuneration Committee on appointment. Lynn returned to the USA to take on an executive appointment. On behalf of the Directors, I should like to thank Lynn for the valuable contribution she has made to the Board. We appreciate the efforts Lynn has made to accommodate the Board since leaving the UK and wish her every success in her new role.

I am pleased that Tracey Graham accepted the Board's invitation to become Chair of the Remuneration Committee with effect from 1 January 2018.

We have also commenced a search process for the appointment of two new Non-Executive Directors.

As announced on 14 February 2018, I shall be stepping down from the Board following conclusion of the 2018 AGM. Following my departure, as part of its long-term succession planning arrangements, Jonathan Nicholls (currently Senior Independent Director and Chair of the Audit Committee) will be appointed Chairman of the Board; Tracey Graham will be appointed as the Senior Independent Director, in addition to her current role as Chair of the Remuneration Committee and Justin Read will be appointed Chair of the Audit Committee, in each case subject to their re-election by shareholders at the AGM.

It has been a pleasure to be Ibstock's Chairman and I am proud of what the Company has achieved since it listed in October 2015.

Jamie Pike
Non-Executive Chairman
5 March 2018

Board statements

The Board is committed to the highest standards of corporate governance.

The Company is subject to the UK Corporate Governance Code 2016 ("the Code"), which is publicly available on the Financial Reporting Council website at www.frc.org.uk.

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

Requirement	Board statement	Where to find further information
Compliance with the Code	The Directors confirm that, throughout the 2017 financial year, the Company applied the Main Principles and complied with the Provisions of the Code.	Application of the main principles of the Code on pages 46 and 47.
Going concern basis	The Directors are satisfied that the Group has sufficient financial resources to continue operating for a period of at least twelve months from the date of approval of the financial statements and, therefore, have adopted the going concern basis in preparing the Group's 2017 financial statements.	Financial review on pages 38 to 41. Strategic Report on pages 1 to 42. Principal risks and uncertainties on pages 32 to 37. Board statements – 'Going concern' in the Audit Committee Report on page 63.
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 31 December 2020, taking into account the Group's current position and the principal risks and uncertainties set out on pages 34 to 37. Following this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as and when they fall due over the period of its assessment.	Principal risks and uncertainties on pages 32 to 37. "Internal controls" and "Risk Management" in "Accountability" on pages 57 to 58. "Board statements – Viability statement" in the Audit Committee Report on page 63. The Viability Statement can be found in the Financial Review on page 42.
Robust assessment of the principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors also assessed, with the support of the Audit Committee, their appetite with respect to these risks and considered the systems required to mitigate and manage them.	Principal risks and uncertainties on pages 32 to 37. 'Assessment of principal risks' in 'Accountability' on pages 57 and 58.
Annual review of systems of risk management and internal control	During the 2017 financial year, the Board monitored the Group's systems of risk management and internal control with the support of the Audit Committee and carried out a review of their effectiveness. The conclusion was that these systems were effective.	Systems of risk management and internal control – Effectiveness review in the Audit Committee Report on page 61.
Fair, balanced and understandable	The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy	"Board statements – Fair, balanced and understandable review" in the Audit Committee Report on page 63.

Chairman's introduction continued

Application of the main principles of the Code

The Board recognises the importance of creating a clear flow of communication between it and all shareholders, particularly with regard to business developments and financial results.

During the 2017 financial year, the Company continued to apply the main principles of the Code, as follows:

A. Leadership

A.1 The role of the Board

The Board met formally on nine occasions during the year.

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

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

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

A.2 Division of responsibilities

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

A.3 The Chairman

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

A.4 Non-Executive Directors

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

Jonathan Nicholls is the current Senior Independent Director. Tracey Graham will take on this role following the 2018 AGM.

B. Effectiveness

B.1 The composition of the Board

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

B.2 Appointments to the Board

The appointment of new Directors is led by the Nomination Committee. Further details of the activities of the Nomination Committee during the year can be found on pages 55 and 56.

B.3 Commitment

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

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

B.4 Development

All new Directors receive an induction upon joining the Board. Training is made available to members of the Board in accordance with their requirements. Please see page 54 for details of Justin Read's and Joe Hudson's induction.

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

B.5 Information and support

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

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

B.6 Evaluation

During the 2017 financial year, the Board undertook an evaluation of its own performance and that of its Committees. Details of the evaluation can be found on page 54.

B.7 Re-election

All Directors were subject to shareholder election or re-election at the 2017 AGM. All Directors are subject to annual election by shareholders. The names of Directors submitted for election or re-election, accompanied by sufficient biographical details and any other relevant information, are provided to shareholders to enable them to take an informed decision on their election.

C. Accountability

C.1 Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 1 to 42, provides information about the Group's performance, the Group's business model, the Group's strategy and the risks and uncertainties relating to the Group's future prospects.

C.2 Risk management and internal control

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

C.3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee. The principal activities of the Audit Committee are summarised in the report presented by the Audit Committee Chairman on pages 59 to 64.

D. Remuneration

D.1 The levels and components of remuneration

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

D.2 Procedure

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

Details of the activities of the Remuneration Committee can be found in the Directors' Remuneration Report on pages 66 to 83.

E. Relations with shareholders

E.1 Dialogue with shareholders

The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed about shareholders' views. This is discussed further in 'Relations with shareholders' on page 47.

E.2 Constructive use of the General Meetings

The AGM provides the Board with an important opportunity to communicate with shareholders, who are invited to meet the Board following the formal business of the meeting.

Share Dealing Code

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

Relations with shareholders

Highlights

- Successful 2017 AGM
- Executive Directors met with shareholders following announcement of the annual and interim results
- Received constructive feedback from shareholder meetings

The Board recognises the importance of creating a clear flow of communication between it and all shareholders, particularly with regard to business developments and financial results. The Board aims to communicate on a regular basis and at present the Company utilises news releases, investor presentations and Company publications and will expand communication channels as appropriate. The Executive Directors conduct a round of meetings with analysts and investors following announcement of the full-year and interim results. The Company's brokers prepare a report on the anonymised feedback received from those meetings, which is shared with the Executive Directors and the Non-Executive Directors. This process is one of the ways in which Non-Executive Directors have an opportunity to develop an understating of the views of the major shareholders.

Jonathan Nicholls is the Senior Independent Director ("SID"). The SID is available to shareholders throughout the year if they have concerns that contact through the normal channels of the Chairman, Chief Executive Officer or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate. The option to meet has been proactively offered to shareholders on several occasions, but none have felt the need to take advantage of this opportunity.

During the time that Diamond (BC) S.à r.l. were a major shareholder Jonathan communicated with them on a regular basis through their representatives on the Board of Directors.

All shareholders are invited to the Company's Annual General Meeting (the "AGM"), at which they will have the opportunity to meet and put questions to the Board. Details of the resolutions to be proposed at the AGM to be held on 24 May 2018 at 2:00 p.m. at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY, can be found in the Notice of Meeting. The Notice of Meeting, together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies, is contained in a circular which will be circulated to all shareholders at least 20 working days before the AGM, together with this Annual Report and Accounts. This document will also be available on the Ibstock plc website (www.ibstockplc.com/investors). Results of voting at the AGM will be announced to the London Stock Exchange and will be published on our website at www.ibstockplc.com/investors.

Leadership

Highlights

High-quality, open, challenging debate on a wide range of operational, strategic and financial matters

The Board undertook a number of visible leadership tours of the Group's operations in the UK and US

Improvement in the Group's strategic KPIs, including a reduction in lost time accidents

Board responsibilities and procedures

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

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

- Responsibility for the overall management of the Group, including monitoring the Group's operating and financial performance;
- Approval of the Group's long-term objectives, values, standards, commercial strategy and annual budgets;
- Approval of the annual operating and capital expenditure budgets and any subsequent material changes to them;
- Making changes to the Group's capital, legal and corporate structure, including reduction, consolidation, sub-division or conversion of share capital;
- Approval of the half-yearly report and the preliminary announcement of the final results and the Annual Report and Accounts;
- Approval of the dividend policy and declaration of any interim and final dividends;
- Approval of accounting and treasury policies, the Group's internal control systems and risk management strategy and Group tax strategy;
- Approval of significant acquisitions and disposals and material capital investments;
- Approval of significant borrowing facilities and other material contracts and transactions;

- Approval of resolutions to be put forward for shareholder approval at a General Meeting and all communications with shareholders and the market;
- Managing membership and approving adequate succession planning for the Board;
- Responsibility for the Group's corporate governance;
- Following the recommendation of the Remuneration Committee, determining the remuneration policy for the Directors, and other senior managers;
- Approval of the Group's health and safety and sustainability and environmental policies;
- Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.

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

Board composition

The Code recommends that the Board of Directors of a UK premium listed company includes an appropriate combination of Executive and Non-Executive Directors, with independent Non-Executive Directors (excluding the Chairman) comprising at least half the Board. As at the year end, the Board comprised a Non-Executive Chairman, four independent Non-Executive Directors and two Executive Directors. The Board regards Jonathan Nicholls, Tracey Graham and Justin Read as independent for the purposes of the Code. Lynn Minella, who stood down from the Board on 31 December 2017, was also regarded as independent for the purposes of the Code.

As explained on page 52, Matthias Boyer Chammard and Michel Plantevin stepped down from the Board on 24 May 2017, following Diamond (BC) S.à r.l.'s disposal of all its shares in the Company.

Joe Hudson joined the Board on 2 January 2018 as Chief Executive Officer Designate.

As announced on 14 February 2018, Jamie Pike will step down from the Board following conclusion of the AGM on 24 May 2018 and Jonathan Nicholls will become Chairman of the Board. We have commenced the search for two new independent Non-Executive Directors and will update the market in due course.

Governance in action

The Board visited Glen-Gery's brick plants at Bigler and Hanley, Pennsylvania, during their US visit in June 2017. They also travelled to Penn State University to view examples of iconic buildings where Glen-Gery products have been used for many years.

Additionally, in November 2017, the Board toured our Supreme Concrete operations in Sittingbourne, Kent as part of their ongoing programme of visits to meet management teams from across our business. These operations manufacture high-performance concrete beams, and serve our customers in London and the South-East.

**The Board makes
regular site visits
around the business.**

Leadership continued

Board of Directors

The Board is ultimately responsible to shareholders for all our activities and for delivering our strategy and financial performance in the long-term interests of the Company.

Chief Executive Officer Designate

Jamie Pike MA, MBA, MIMechE
Chairman Age 62

Date appointed to the Board: 22 September 2015

Tenure on Board: 2 years 5 months

Committee memberships:

- Chairman of the Nomination Committee
- Remuneration Committee

Independent: On appointment

Relevant skills and experience

- Educated at Oxford University and holds an MBA from INSEAD and is a Member of the Institute of Mechanical Engineers
- Significant level of listed company board experience gained in executive and non-executive roles
- Over 25 years of experience at the senior management or director level of businesses, including cement manufacturing, construction, mining and building materials industries
- Operational leadership experience from a variety of business sectors
- Experienced at bringing companies to market
- Experienced in M&A strategy and development
- Early career spent as a consultant with Bain and Co and A T Kearney

Current external appointments

- Non-Executive Chairman of RPC Group plc (appointed July 2008)
- Senior Independent Director at Sprax-Sarco Engineering plc (appointed May 2014)

Past board roles include

- Non-Executive Chairman of Tyman plc
- Non-Executive Chairman of Lafarge Tarmac Limited
- Non-Executive Chairman of MBA Polymers Inc
- Non-Executive Chairman of the Defence Support Group
- Non-Executive Director of RMC Group plc
- Non-Executive Director of Kelda Group plc
- Chief Executive Officer of Foseco plc
- Partner at Bain and Company

Wayne Sheppard BSc, CEng MIMechE, MIET
Chief Executive Officer Age 58 **2**

Date appointed to the Board: 22 September 2015

Tenure on Board: 2 years 5 months

Committee memberships:

– None

Independent: No

Relevant skills and experience

- Degree in Production Technology and Production Management awarded by Brunel University
- Member of the Institution of Mechanical Engineers and the Institution of Engineering and Technology
- Over 23 years of experience at the managing director level across a broad range of businesses and business groups within the building and construction products sectors
- M&A and product innovation
- Operational leadership experience gained from a variety of business sectors across Europe and the United States

Current external appointments

- Principal of the Construction Products Association
- Director of the Brick Development Association.

Past board roles include

- Various divisional CEO roles with CRH plc
- CEO of Ibstock Building Products under Bain Capital

Joe Hudson BA (Hons), FCIPD
Chief Executive Officer Designate Age 48 **3**

Date appointed to the Board: 2 January 2018

Tenure on Board: 2 months

Committee memberships:

– None

Independent: No

Relevant skills and experience

- BA Hons Degree in Education awarded by the University of Exeter
- General Management programmes at INSEAD and London Business School
- Fellow of the Chartered Institute of Personnel and Development
- Varied international career in general management, operations and strategic human resources in Europe, North America and Africa
- Operational 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
- Executive Director, Lafarge Africa Plc.

Kevin Sims ACMA
Chief Financial Officer Age 56 **4**

Date appointed to the Board: 22 September 2015

Tenure on Board: 2 years 5 months

Committee memberships:

– None

Independent: No

Relevant skills and experience

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

Current external appointments

– None

Past board roles include

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

Jonathan Nicholls BA (Hons), ACA, FCT
Senior Independent Non-Executive Director Age 60 **5**

Date appointed to the Board: 22 September 2015

Tenure on Board: 2 years 5 months

Committee memberships:

- Chairman of the Audit Committee
- Remuneration Committee
- Nomination Committee

Independent: Yes

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
- Nearly 20 years' experience at the senior management or director level of businesses, including those in brick manufacturing, roofing and construction, and property development
- Significant experience as CFO and other senior finance roles in public companies

Current external appointments

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

Past board roles include

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

Tracey Graham
Non-Executive Director Age 52 **6**

Date appointed to the Board: 3 February 2016

Tenure on Board: 2 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
- 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 of discoverIE Group plc (appointed November 2015)
- Non-Executive Director of Link Scheme Limited (appointed January 2016)

Past board roles include

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

Justin Read MA, MBA
Non-Executive Director Age 56 **7**

Date appointed to the Board: 1 January 2017

Tenure on Board: 1 year 2 months

Committee memberships:

- Remuneration Committee
- Audit Committee
- Nomination Committee

Independent: Yes

Relevant skills and experience

- Educated at Oxford University and holds an MBA from INSEAD
- 10 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 of Grainger PLC (appointed February 2017)
- Chairman of SEGRO Pension Scheme Trustees Limited (appointed March 2017)

Past board roles include

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

Robert Douglas BSc (Econ), FCA
Company Secretary Age 62 **8**

Tenure as Company Secretary: 2 years 4 months

Committee memberships:

– None

Independent: N/A

Relevant skills and experience

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

Current external appointments

– None

Lynn Minella **9**

Stepped down from the Board on 31 December 2017.

Planned Board changes

Following conclusion of the AGM:

- Jamie Pike will retire from the Board;
- Jonathan Nicholls will become Chairman of the Board;
- Tracey Graham will become the Senior Independent Director; and
- Justin Read will become Chairman of the Audit Committee.

Leadership continued

Non-Executive Directors

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

Appointment of Non-Executive Directors and observer by the Controlling Shareholder

Diamond (BC) S.à r.l. (the "Controlling Shareholder") was previously a Controlling Shareholder of the Company for the purposes of the Listing Rules. Under the terms of a Relationship Agreement (the "Agreement") between the Company and the Controlling Shareholder entered into on 22 October 2015, the Controlling Shareholder had a right to nominate for appointment two Directors (each a "Shareholder Director") to the Board of the Company whilst its and its associates' shareholding in the Company was 25% or more; and to nominate for appointment one Shareholder Director to the Board of the Company whilst its and its associates' shareholding in the Company was 10% or more. The Agreement fell away on 2 May 2017 when the Controlling Shareholder disposed of all its shares in the Company, and accordingly, Matthias Boyer Chamard and Michel Plantevin stepped down from the Board following the AGM held on 24 May 2017.

The Board confirms that, during the period in which the Agreement was in force:

- the Company complied with the independence provisions included in the Agreement;
- in so far as the Company is aware, the independence provisions included in the Relationship Agreement were complied with by the Controlling Shareholder and its associates; and
- in so far as the Company is aware, the procurement obligation included in the Relationship Agreement was complied with by the Controlling Shareholder.

Board Committees

The Board has established three principal Committees of the Board: an Audit Committee; a Nomination Committee; and a Remuneration Committee. Each Committee has formally delegated duties and responsibilities set out in its written Terms of Reference. If the need should arise, the Board may establish additional committees, to consider specific issues, as appropriate. The terms of reference for each of the Board Committees are available on the Company's corporate website, at <http://www.ibstockplc.com/investors/corporate-governance>.

Details of each of the Board Committees and their activities during the year are set out in the separate Committee Reports commencing on pages 55, 59 and 66, which are incorporated into the Corporate Governance Statement by reference. The Chairman of each Committee reports the outcome of the meetings to the Board. Details of Committee memberships are included in the Directors' biographies on pages 50 and 51.

Meetings and attendance

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

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

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee
Jamie Pike	9/9	N/A	4/4	2/2
Jonathan Nicholls	9/9	4/4	4/4	2/2
Tracey Graham	9/9	4/4	4/4	2/2
Lynn Minella ¹	8/9	4/4	4/4	2/2
Justin Read ²	9/9	4/4	3/4	2/2
Michel Plantevin ^{3, 4}	2/3	N/A	N/A	0/1
Matthias Boyer Chamard ³	3/3	N/A	N/A	N/A
Wayne Sheppard	9/9	N/A	N/A	N/A
Kevin Sims	9/9	N/A	N/A	N/A

1 – Lynn Minella was not able to attend one of the December Board meetings due to a long-standing prior engagement.

2 – Justin Read was not able to attend the September Remuneration Committee meeting due to a long-standing prior engagement.

3 – Michel Plantevin and Matthias Boyer Chamard resigned from the Board following the AGM held on 24 May 2017.

4 – Michel Plantevin was not able to attend the May Board and Nomination Committee meetings due to a long-standing prior engagement.

The table opposite shows those Committee meetings which each Director attended as a member of the Committee, rather than as an invitee. Where "N/A" appears in the table the Director listed is not a member of that Committee.

The Board aims to hold at least two Board meetings each year at Group business locations, both in the UK and the US, to enable Board members to gain a deeper understanding of the Group's operations. This also provides senior managers from across the Group with the opportunity to present to the Board as well as to meet the Directors at more informal occasions. During 2017 the Board held a number of meetings at the Group's business locations:

- March – Ibstock Brick Limited, Chesterton and Parkhouse factories in Stoke on Trent. The Board visited these two factories that produce wire cut and soft mud bricks, respectively. They met with members of the management team at both operations and discussed operational matters and compared and contrasted the two different methods of brick production.

- June – Glen-Gery Inc, Pennsylvania US. The Board undertook its annual three-day visit of the US business. During the tour the Board visited the Biglar and Hanley brick factories where they met staff and senior management. The Board also toured the Penn State College Campus where they viewed a number of prestigious buildings that had been constructed using products from the Glen-Gery factories. The Board also received presentations from senior management on Glen-Gery's performance, prospects and strategic objectives.

- November – Supreme Concrete, Sittingbourne. The Board received presentations from management on the business's operations and saw at first hand the pre-stressed concrete beam manufacturing process.

During 2018 the Board will continue its programme of site visits which, it is anticipated, will include visiting the Ibstock, Forticrete and Supreme businesses in the UK and the annual three-day excursion to review Glen-Gery's operations in the US.

Board meeting calendar and regulatory agenda discussion items

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

2017	Q1	Q2	Q3	Q4
CEO commentary on business activities and priorities	+	+	+	+
CFO financial review of business performance	+	+	+	+
Business unit site visits and presentations covering financial results and operational activities	+	+	+	+
Health and safety update	+	+	+	+
Review and approval of preliminary full-year results	+			
Full-year dividend approval	+			
Investor communications – feedback on full-year and half-year results road shows		+		+
Board meeting at US subsidiary in Pennsylvania		+		
Preparation for Board evaluation			+	
Review and approval of half-year results			+	
Interim dividend approval			+	
Board evaluation output and recommendations				+
2018 Budget approval				+
Board briefings from advisors on developments in corporate governance				+
Whistleblowing biannual report		+		+
Review of Board activities with shareholders				+
Meeting of the Non-Executive Directors without the Executive Directors present			+	
Meeting of the Non-Executive Directors without the Chairman present				+

Effectiveness

Highlights

Completed actions arising from the 2016 Board evaluation

Completed Justin Read's induction programme

Performed an evaluation of the effectiveness of the Board and its Committees

Board evaluation

An internal performance evaluation of the Board and its principal Committees was undertaken during the year.

The performance evaluation process was undertaken in the final quarter of 2017 and took the form of a questionnaire which included questions about Board administration, the role of the Chairman, strategy, risk oversight, succession planning and the structure of the Board's Committees. The process also provided the Board with the opportunity to make specific comments in response to a series of "open" questions. The questionnaire was completed by all Directors and the Company Secretary. A report on the outcome of the evaluation exercise was prepared and was presented to the Board at the December 2017 meeting.

As a result of conclusions drawn from the Board evaluation report, the Board has agreed to hold an annual Board strategy away day and to implement actions designed to support the newly appointed CEO designate.

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

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

Development and advice

Justin Read was appointed a Director on 1 January 2017. His induction programme included visits to the principal operations of the Group's three UK based businesses where he met members of the management team. He was given guided tours of the factories and was introduced to the businesses' products and manufacturing operations. Meetings were also held with the Executive Directors and senior members of the Group head office team.

Joe Hudson was appointed a Director, and CEO designate, on 2 January 2018. A tailored induction programme was prepared for him similar to that outlined above. In addition, Joe's programme included meetings with the Group's brokers.

External directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. The external commitments of the Board are set out in their biographies on pages 50 and 51. The Board is content with the level of external directorships held by the Chairman and the independent Non-Executive Directors, as these do not impact on the time that any Director devotes to the Company. Furthermore, the Board believes that this external experience serves to enhance the capability of the Board.

As anticipated in last year's report, Jamie Pike stepped down as Non-Executive Chairman and a Director of Tyman PLC at that Company's AGM held in May 2017.

As announced on 14 February 2018, Jamie Pike has accepted an appointment as Chairman of Spirax-Sarco Engineering plc with effect from 15 May 2018 and will step down from the Board of the Company on 24 May 2018, following conclusion of the AGM.

Nomination Committee Report

Jamie Pike

Nomination Committee Chair

Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee (the "Committee") for the year ended 31 December 2017.

2017 Key achievements

- Recruitment process for, and selection of, the CEO designate.
- Reviewed succession planning.
- Reviewed Board training requirements.
- Considered time commitment required of the Non-Executive Directors.

Areas of focus in 2018

- Continued development and monitoring of succession plans for both the Board and senior management.
- Development of the Diversity Policy.
- Further strengthening the Board with the recruitment of additional Non-Executive Directors, to replace Lynn Minella and Jamie Pike.

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

- Jamie Pike (Chairman)
- Tracey Graham
- Jonathan Nicholls
- Justin Read

Lynn Minella was also a member of the Nomination Committee until she stepped down from the Board on 31 December 2017.

Please see pages 50 and 51 for detailed biographies.

Responsibilities

The key responsibilities of the Nomination Committee are as follows:

- Develop and maintain a formal, rigorous and transparent procedure for making recommendations to the Board on appointments and on the structure, size and composition of the Board;
- Succession planning for Directors and other senior managers;
- Evaluate the balance of skills, diversity, knowledge and experience of the Board;
- Prepare a description of the role and capabilities required for a particular appointment and lead the recruitment process;
- Identify and nominate, for the approval of the Board, candidates to fill Board and senior management vacancies as and when they arise;
- Review the time commitment required from Non-Executive Directors and evaluate the membership and performance of the Board and its Committees; and
- Recommend, where appropriate, the re-election of Directors.

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

Nomination Committee activities

Succession planning

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

Nomination Committee calendar and agenda discussion items

During the year the Committee met formally on two occasions.

2017	Q1	Q2	Q3	Q4
Recommended the appointment of the CEO designate, following the recruitment process described on page 56				+
Reviewed Directors' training and development needs		+		
Reviewed Committee's Terms of Reference				+
Reviewed size, structure and composition of the Board				+
Reviewed time commitment required from Non-Executive Directors				+
Reviewed the independence of Non-Executive Directors				+
Conducted an evaluation of the Committee's performance				+
Reviewed succession planning arrangements				+

Effectiveness continued

Nomination Committee Report continued

The aim of the Nomination Committee is to ensure that the Board and senior management are well balanced and appropriate for the needs of the business, the achievement of its strategy, and that the Board comprises Directors who are appropriately experienced and are independent of character and judgement. Before recommending new candidates, the Nomination Committee takes account of the balance of skills, knowledge, experience and diversity of psychological type, educational and professional background and gender. However, all appointments will always be made on merit. Additional information is included in the Strategic Report on page 27.

We engaged Zygos Partnership, the external search firm, which has no connection to the Company, other than assisting with recruitment arrangements, to identify potential candidates to succeed Wayne Sheppard who, in October 2017 notified the Board of his intention to retire in 2018. Zygos Partnership worked with us to create a long list of candidates suitably qualified to undertake the role, taking into account our policy on diversity. A short list of suitable candidates was compiled, based on their industry and executive experience, and the Nomination Committee, together with the Executive Directors, met with the candidates. Following those meetings we were able to formulate our recommendation to the Board, which culminated in the appointment of Joe Hudson as CEO designate with effect from 2 January 2018.

Lynn Minella stepped down from the Board on 31 December 2017, having relocated to the USA. Having reviewed the size and structure of the Board, the Nomination Committee engaged an external firm to commence a search process for a new Non-Executive Director.

We also conducted an in-depth review of the Group's succession plan and considered the talent available below the Board level. The Nomination Committee's review concluded that the Company has robust succession planning arrangements in place.

As announced on 14 February 2018, I will step down from the Board following the conclusion of the Company's AGM on 24 May 2018 and Jonathan Nicholls will become Chairman of the Board. Jonathan's proposed appointment as Chairman follows a rigorous and detailed process conducted by the Nomination Committee, assisted by Zygos Partnership. Tracey Graham chaired the Nomination Committee when it was dealing with the appointment of a successor to the chairmanship.

Ensuring the Directors' independence and commitment to their roles

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

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

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

We reviewed the independence of Non-Executive Directors and formed the conclusion that the independent Non-Executive Directors named on pages 50 and 51 continue to be regarded as independent.

We reviewed the training requirements of the Board and agreed upon a suitable regime. The Chairman and the Company Secretary continue to identify broader areas of training for the Board as a whole and the Chairman will discuss and agree the training requirements with individual Directors as and when required.

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

Re-election of Directors

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

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

Diversity

The Board acknowledges the aims, objectives and recommendations outlined in the Hampton-Alexander Review which is focused on ensuring talented women succeed by removing barriers to their success, and continuing to drive forward the momentum of the Davies Review – "Women on Boards". We are aware of the need to achieve an appropriate balance of women on our Board and in senior positions throughout the Group. The Board also acknowledges the aims, objectives and recommendations of the Parker Review on ethnic diversity and the increased emphasis in the Disclosure Guidance and Transparency Rules on disclosure around diversity with regard to aspects such as age, gender and educational and professional background.

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

Approximately 17% of the Board are female, as at the date of this Report, and 14% of a population of senior managers are female. Additional information regarding the gender split across the Group can be found on page 27 of the Strategic Report.

Board and Committee effectiveness

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

The evaluation process took the form of a questionnaire completed by all members of the Board and the Company Secretary. A report on the outcome of the evaluation of the Nomination Committee's effectiveness was presented to the Board and its Committees in December 2017. The conclusion drawn from the review was that the Nomination Committee had operated effectively.

Jamie Pike

Chairman of the Nomination Committee
5 March 2018

Accountability

Highlights

Assessed risk management and internal controls systems as being effective

Reviewed the significant judgements made by management in preparing the 2017 financial statements

Oversaw the successful transition of the external auditor

Financial reporting

The Group maintains a financial control environment that is regularly reviewed by the Board. The principal elements of the control environment include comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits, regular Board meetings, clear subsidiary board and operating structures, and an outsourced Internal Audit function.

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

Throughout each year, monthly detailed reforecasts, covering the income statement, cash flow and balance sheet are performed by each area of the Group and are consolidated to provide an updated view of expected performance for the current year.

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

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

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

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

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

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

Internal controls

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

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

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

The Group has an ongoing process for the identification, evaluation and management of significant business risks, which has been in place for the year under review and up to the date of approval of this Annual Report and Accounts. The Board has, during the year, identified and evaluated the key risks and has ensured that effective controls and procedures are in place to manage these risks (see pages 32 to 37).

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

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

The Audit Committee, on the Board's behalf, has conducted a review of the effectiveness of the Group's system of risk management and internal control during the year, in accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Details of the review can be found in the Audit Committee Report on page 61.

Risk management

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

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

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

Accountability continued

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

- Safety – there is a low tolerance for health and safety related risks and no appetite for non-compliance with related health and safety legislation and statutory requirements;
- Invest – the criteria for investment allocates the Group's resources in a manner consistent with the Group's strategy and planned internal rates of return; and
- Innovate – whilst delivering activity aimed at introducing innovative products, the Group accepts short-term margin dilution, but aims for market-leading operating margins and returns on capital.

Following the appointment of RSM LLP as the Group's outsourced Internal Auditor during 2016, an independent programme of audits was approved by the Audit Committee for completion in 2017. At each of its meetings, the Audit Committee received an update from the outsourced provider as to progress in completion of the approved Internal Audit plan, details of any findings noted to date in completion of reviews, and management's responses to recommendations resulting from the audits.

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

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

The Audit Committee supports the Board in monitoring the risk exposures and is responsible for reviewing the effectiveness of our risk management and internal control systems. The Audit Committee is assisted by the Group's outsourced Internal Audit function in evaluating the design and operating effectiveness of our risk strategies and the internal controls implemented by management. During 2017, no significant failings or weaknesses in the Group's internal controls were identified.

The Audit Committee reviewed and approved the Group-wide risks and mitigation prepared by management and informed by the subsidiary risk matrices. This review formed a key component of the Directors' robust assessment of the principal risks facing the Group – including those that would threaten its business model, future performance, solvency or liquidity. These are set out in the table on pages 34 to 37.

The Group's Risk Management Framework is illustrated on page 33.

Risk management framework

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

During 2017, a key component of the Directors' assessment of risk was management's review of the risk matrices prepared by each subsidiary entity.

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

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

As part of its considerations as to whether the 2017 Annual Report and Accounts are fair, balanced and understandable, and provide information necessary for shareholders to assess the Company's position, performance, business model and strategy, the Board took into account the following:

- the Chairman and Chief Executive provided input to and agreed on the overall messages and tone of the Annual Report and Accounts at an early stage;
- individual sections of the Annual Report and Accounts were drafted by appropriate senior management with regular review meetings to ensure consistency of the entire document;
- detailed reviews of appropriate draft sections of the Annual Report and Accounts were undertaken by the Executive Directors;
- an advanced draft was reviewed by the Audit Committee and the auditors on a timely basis to allow sufficient consideration and was discussed with the Chief Financial Officer and senior management prior to consideration by the Board; and
- the Chief Financial Officer, in his February 2018 Board paper, included a checklist of areas that the Board should take into account in considering the fairness, consistency and balance of the final draft of the Annual Report and Accounts including whether the Board considers that there are any omissions in information.

The Fair, Balanced and Understandable Statement appears on page 63.

Jamie Pike

Non-Executive Chairman
5 March 2018

Audit Committee Report

Jonathan Nicholls
Audit Committee Chair

Dear Shareholder,

Welcome to the Report of the Audit Committee (the "Committee") for the year ended 31 December 2017.

The Committee reviews and makes recommendations to the Board on the Group's financial reporting, internal control and risk management systems and the independence and effectiveness of the external auditors. The Committee also considered the effectiveness of internal audit and external audit.

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

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

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

2017 key achievements

- Approval of the Group's first publicly disclosed Taxation Strategy.
- Received a report on the Group's readiness for the new UK Criminal Finances Act 2017.
- Oversaw the appointment of the new auditors, following the tender process held in 2016, as described in last year's report.
- Reviewed and approved the external audit transition plan and the 2017 audit plan.
- Reviewed, and recommended to the Board for approval, the Annual Report and Accounts and the Interim Statement.

Areas of focus in 2018

- Review management's progress with the project to transition to the new lease accounting standard (IFRS 16) in advance of its application from 1 January 2019.
- Continue to ensure that the systems of internal control are robust and operating effectively and that the principal risks identified by the Board are effectively managed.
- Review significant reporting judgements and key assumptions related to those judgements.
- Review the Annual Report and Accounts and the Interim Statement in order to recommend them to the Board for approval.

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

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

Lynn Minella was a member of the Committee until she stepped down from the Board on 31 December 2017.

Please see pages 50 and 51 for detailed biographies.

Audit Committee composition and meetings

The Board considers that Justin Read and I have recent and relevant financial experience. The Committee, as a whole, has competence relevant to the sector in which the Group operates. Members have relevant experience in finance, building materials, B2B businesses and general executive experience in businesses of scale. Additional information on our skills and experience can be found in the Board biographies set out on pages 50 and 51.

The Committee met formally on four occasions during the year and details of Committee members' attendance at meetings are set out on page 52.

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

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

Responsibilities

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

Key responsibilities include:

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

Accountability continued

Audit Committee Report continued

Audit Committee calendar and agenda discussion items

During the year the Committee met on four occasions.

2017	Q1	Q2	Q3	Q4
Financial and narrative reporting	+	+	+	+
External audit	+	+	+	+
Review of risk	+	+	+	+
Independence and objectivity of the external auditor	+		+	
Internal Audit	+	+	+	+
Annual review of the Audit Committee's effectiveness				+
Significant accounting matters	+	+	+	+

As required by its Terms of Reference ("TOR") the Committee reviewed the TOR during the year. Following the review, and in light of developments in best practice following the latest FRC Guidance on Audit Committees, a number of amendments were made to the TOR. The revised TOR were recommended to and approved by the Board. A copy of the TOR can be found on our website at <http://www.ibstockplc.com/investors/corporate-governance>.

Audit Committee activities during the year

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

Financial and narrative reporting

- Reviewed the full and half-year results and associated announcements and recommended them to the Board for approval.
- Reviewed the Group's Annual Report and Accounts to consider whether, taken as a whole, they were fair, balanced and understandable and whether they provided the necessary information required for shareholders to assess the Company's position, performance, business model and strategy and recommended them to the Board for approval.
- Conducted a review of significant accounting policies and judgements (see significant issues considered by the Committee during the year) below.
- Received corporate reporting updates from the external auditor, including:
 - an update on BEIS proposed corporate governance reforms;
 - a review of Directors' duties, with specific reference to s172 of the Companies Act 2006;
 - the FRC's proposed revision of the UK Governance Code;
 - developments in gender pay gap reporting; and
 - UK tax strategy.
- Considered the process for preparing the 2017 Annual Report and Accounts.

- Considered the appropriateness of the Group's accounting policies and practices, focusing on areas of significant management judgement or estimation, and questioning the rationale for decisions taken in application of the policies.

External audit

- Reviewed and considered the reports presented by Deloitte to the Audit Committee following the half-year review and full-year audit.
- Considered the FRC's Audit Quality Review of EY's audit of the Group's 2016 financial statements and discussed the key themes with Deloitte, as the current auditors, to ensure that the auditor's planned approach for 2017 was appropriate.
- Monitored and reviewed regular updates on the handover of the audit from EY to Deloitte to ensure that management was facilitating the knowledge transfer and building of information required for Deloitte, as the Group's new auditor.
- Discussed the Board representation letter.
- The Committee reviewed the performance of the external auditor and the effectiveness of the external audit process. The Committee assessed Deloitte's progress with their audit transition and commitments made during the tender process conducted in late 2016. Following completion of the 2017 audit the Committee will conduct a further review of their performance and effectiveness.
- Discussed the fees for audit and non-audit services and obtained assurance on the objectivity and independence of the external auditor, taking into consideration relevant professional and regulatory standards.
- Reviewed and approved the policy for the employment of former employees of the external auditor, confirming with management that there were no such employees during 2017.
- Reviewed Deloitte's plans for their review of the interim statement and for the 2017 audit.
- Held a meeting with EY, without management present, following the final attendance of the former auditor at the February 2017 Committee meeting.
- Held meetings with Deloitte, following each Committee meeting, without management present.

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.

Review of risk

- Reviewed principal business risks, Risk Management and internal controls.
- Information on Principal risks and Risk Management is set out on pages 32 to 37.
- Received a report from the CFO on the internal controls operating in the business and any associated action plans.
- Considered the Committee's previous statement in relation to customer rebates following receipt of Internal audit and external audit reporting in this area, and concluded it remained appropriate.
- Reviewed fraud risk, ethics policy and whistleblowing policy.
- Considered the appropriateness of the Group's Viability Statement at the full-year, and Going Concern Statement assumptions at the half-year and full year, including a review of the sensitivity analysis and scenarios prepared by management. This specifically challenged management's preparation of the Viability Statement using a three-year lookout period, given the general comments provided by regulators during 2017 as to the prevalence of this time frame in companies' viability statements. Following discussion, the Committee concurred with management as to the choice of a three-year period. The Viability Statement and the Going Concern Statement are set out on page 42.

Independence and objectivity of the external auditor

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

Internal Audit

- Agreed a plan of work for the 2017/2018 Internal Audit programme with RSM and received reports from them on the Internal Audit programme conducted during the year. In reviewing the proposed plan of work, the Committee questioned the Internal Auditor and management as to the composition of the plan. This considered any specific areas of risk identified by either party in formulating the schedule. Following discussion, the Committee was satisfied with the 2017/2018 work programme.
- The Committee met with RSM, without management present on two occasions.

Audit Committee effectiveness

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

Accounting and key areas of judgement

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

Accountability continued

Audit Committee Report continued

Significant issues considered by the Committee during the year

Matter considered	Committee's response
<p>Pension accounting</p> <p>The Group has a defined benefit pension scheme in the UK, which was closed to future accrual from 1 February 2017. Judgement is taken by management around the assumptions used, including the sensitivities to these assumptions, used by its actuary, to calculate the pension scheme assets and liabilities under IAS 19 (R) Employee benefits.</p> <p>As at 31 December 2017, in the UK scheme there was an actuarial accounting surplus of £46.1 million, as detailed in Note 20 to the financial statements.</p>	<p>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.</p> <p>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.</p> <p>The Committee considered management's judgement with regard to the Group's ability to recognise a pension scheme surplus and assessed the legal advice received. The Committee arrived at the conclusion that management's application of IFRIC 14 was appropriate. See also Note 2 to the financial statements on page 104.</p> <p>In conclusion, the Audit Committee concluded that the actuarial assumptions used in the valuation of the period end pension liabilities were in an acceptable range and disclosed appropriately.</p> <p>See also the Independent Auditor's Report on page 89.</p>
<p>Indicators of impairment</p> <p>The Group holds significant asset values in the form of mineral reserves, land and buildings and property, plant and equipment. These assets were subject to a detailed fair value exercise upon acquisition of the trading entities in February 2015. For a number of assets, this exercise utilised the business' performance projections in arriving at the fair value ascribed. Should actual performance subsequently fall below these projections, impairment of the asset values may be required under IAS 36 Impairment of assets.</p> <p>As at 31 December 2017, the value of these non-current assets was £516 million.</p>	<p>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.</p> <p>The Committee carefully considered management's sensitivity analysis and assessed the impact on the analysis of changes to the underlying assumptions.</p> <p>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.</p> <p>Management confirmed to the Committee that they were not aware of any misstatements, either material or immaterial, in the documents and information underpinning their assessment.</p> <p>In conclusion, after reviewing the reports from management and consulting where necessary with the external auditors, the Committee was satisfied that the financial statements appropriately reported the value of the assets and that they were fairly stated.</p>
<p>Alternative Performance Measures</p> <p>The Group presents a number of alternative performance measures ("APMs") within its published financial information, including its 2017 Annual Report and Accounts, with the objective of providing readers with a better understanding of financial performance in the period, in order to facilitate comparison with future periods and to assess trends in financial performance.</p>	<p>In light of the guidance issued by the European Securities and Markets Authority and the UK's Financial Reporting Council, the Committee has understood and challenged management's rationale for including an item as an exceptional item and the use of APMs.</p> <p>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.</p> <p>Following these discussions, the Committee requested that management revise its Return on Capital Employed ("ROCE") measure to ensure the revised calculation would result in fewer adjustments to statutory definitions, contain components more easily reconciled to the statutory financial statements, and (where relevant) provide a more consistent comparison with the Group's peers.</p> <p>The Committee concluded that the presentation of APMs gave additional clarity on performance and was reconciled appropriately to reported amounts, with sufficient prominence, thereby satisfying the requirements.</p>

Going Concern and Viability Statements

As requested by the Board, the Audit Committee reviewed the Going Concern and Viability Statements prepared with the assistance of management, together with the supporting documentation and sensitivity analyses. Details of the review process and the conclusion reached are set out on page 42. Following its review, the Audit Committee recommended the approval of both statements to the Board.

Fair, balanced and understandable

It is the Board's responsibility to determine whether the 2017 Annual Report and Accounts are fair, balanced and understandable. The Committee reviewed the process for preparing the 2017 Annual Report and Accounts, reviewed management's analysis of the 2017 Annual Report and Accounts and how this met the objectives of providing fair, balanced and understandable disclosures, before forming the conclusion to recommend that the 2017 Annual Report and Accounts be approved by the Board as fair, balanced and understandable. Specifically, this included detailed consideration of the Alternative Performance Measures used within the 2017 Annual Report and Accounts (see above significant issue considered by the Committee during the year). The Committee concurred with management that the effective use of such measures added greater insight for readers of the financial statements and aided comparisons over time and between companies. The Committee considered the impact of such measures on the fair, balanced and understandable nature of the report to ensure that the use of APMs did not obscure the "true and fair" nature of the 2017 Annual Report and Accounts. The Committee's role in that process is covered on page 62.

Internal controls and risk management

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

Internal Audit

Following the appointment of RSM LLP as the Group's outsourced Internal Audit provider during 2016, the Committee received updates at each meeting on the progress against the agreed Internal Audit plan for 2017. The rolling programme of reviews completed in 2017 included audits of the inventory management, purchase to pay, and sales to cash processes across the Group's subsidiary entities. RSM also audited the financial close process and completed payroll reviews across remaining entities not covered in the prior year. In addition, the Committee requested a specific review of expenditure on the ongoing major capital project.

The external audit and review of its effectiveness

The Committee advises the Board on the appointment/reappointment of the external auditors, their effectiveness, independence and objectivity, and discusses the nature and results of the audit with the external auditors. As part of the review of the effectiveness of the external audit process, the Committee conducted a formal evaluation process incorporating views from the relevant members of management.

These reviews included:

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

In addition to the review of the formal management letter from the external auditors, which outlines how points raised by them have been addressed by management, feedback is sought from the external auditors on the conduct of members of the finance team during the audit process. I have also met with the lead audit partners outside the formal Committee process.

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

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

Having undertaken its review, the Committee is satisfied that the external auditor has been independent and effective. Deloitte has indicated its willingness to continue in office and the Committee has recommended Deloitte's re-appointment to the Board. A resolution to re-appoint Deloitte as the external auditor will therefore be proposed at the AGM to be held in May 2018.

This year is the first year that Deloitte has audited the Group's financial statements. The lead audit partner is Jonathan Dodworth. Deloitte requires the lead audit partner to change after five years. As part of the 2017 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte continues to demonstrate appropriate independence and objectivity.

Accountability continued

Audit Committee Report continued

Audit fee and non-audit services

Details of the amounts paid to the external auditor are set in Note 6 to the Group consolidated financial statements. During the year Deloitte provided non-audit services in respect of the review of the interim financial statements for the six-month period ended 30 June 2017 (£50,000) and of the management's banking covenant compliance certification as at 31 December 2016 (£6,000). Both services were for audit-related services and represent services that were carried out by members of the audit engagement team where the work involved is closely related to the work performed in the audit. The Committee considers that the external auditor continues to remain independent.

The non-audit services policy sets out clearly the non-audit services that may be provided by the external auditor. Under the policy, prior approval is required by the Committee for any non-statutory assignments where the fee would exceed £10,000, or where such an assignment would take the cumulative total of non-audit fees paid to the external auditors over 70% of that year's statutory audit fees. However, when appropriate, a detailed calculation will be performed to ensure that the Group is compliant with the European Union's New Statutory Audit Framework, which applied from 2017.

Fraud, whistleblowing and the Bribery Act

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

- potentially unlawful acts;
- miscarriage of justice;
- danger to the health and safety of any individual;
- damage to the environment; or
- improper conduct.

There were no concerns notified to the Group that required the attention of the Committee during the period under review and up to the date of this report. The fact that employees have used the whistleblowing hot line provides assurance to the Board that the system is working and that our colleagues are comfortable with the process.

The Committee also reviews the Group's procedure for detecting fraud and the systems and controls in place to prevent a breach of anti-bribery legislation. The Group is committed to a zero-tolerance position with regard to bribery. Anti-bribery guidance and training is provided to employees, as appropriate, applying what the Group has determined to be a risk-based and proportionate approach. The Group maintains a record of all employees who have received this guidance and training.

Committee effectiveness

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

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

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

I shall be available to answer any questions about the Committee, our work and how we operate at the AGM on 24 May 2018.

Jonathan Nicholls

Chairman of the Audit Committee
5 March 2018

We said
The Group remains
committed to providing
continuous professional
development and training.

We continue to see
internal promotions of
our employees as part of
our staff development.

It's all about the people**Tim Senavaitis**

**Factory manager, Mid-Atlantic plant,
Glen-Gery**

**Tim joined Glen-Gery as an
engineering intern in May 2008
becoming a full-time Production
Engineer in January 2009 following
his graduation from The Pennsylvania
College of Technology with a
Manufacturing Engineering degree.**

**He continued to develop his business
and leadership skills while earning an
MBA from Kutztown University and
was promoted to Plant Manager of
Glen-Gery's Mid-Atlantic Plant in
June 2017, the largest Glen-Gery
manufacturing facility, shipping over
45 million brick in 2017.**

Directors' Remuneration Report

Remuneration Committee Chair's Annual Statement

Tracey Graham

Chair of the Remuneration Committee

Dear Shareholder,

As the Chairman of the Remuneration Committee ("the Committee"), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2017.

This year, I was delighted to become Chair of the Remuneration Committee when Lynn Minella stepped down from the position on 31 December 2017. All of us are very grateful to Lynn for her contribution and thank her for her dedicated service to the Committee. Following her example, my focus will be to continue to maintain a dialogue with our shareholders on remuneration matters and to ensure that the remuneration structure at Ibstock reflects best-practice standards. I have been a member of the Ibstock Committee for two years and also have significant experience as a Remuneration Committee Chair.

2017 has been a year of continued progress in our performance across all businesses with strong cash generation and shareholder value creation, including payments of dividends and sustained share price growth.

After 22 successful years with the Group, including the last two as Chief Executive Officer of Ibstock plc, Wayne Sheppard announced his intention to retire in 2018. I would like to personally thank Wayne for his significant contribution to Ibstock's performance. Wayne steered the Company through its successful IPO in 2015 and under his leadership Ibstock has delivered significant shareholder value in its first years as a public listed company.

Wayne will be succeeded as Chief Executive Officer by Joe Hudson, formerly Managing Director, Cement & Concrete Products at Aggregate Industries UK, who joined the Board as Chief Executive Officer Designate in January 2018.

Wayne will step down from the Board as Chief Executive Officer after a handover period but I am delighted to say that Wayne's vast expertise will remain available to the Company until the end of 2018.

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

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

Structure of the report

- Remuneration Committee Chair's Annual Statement (pages 66 and 67).
- Directors' Remuneration Report "At a glance" (pages 68 to 73).
- Annual Report on Remuneration (including the summary approved Remuneration Policy) (pages 74 to 83).

The Remuneration Committee reviews the Policy on an ongoing basis and is comfortable that it remains appropriate as the structure by which to incentivise and motivate the leadership team to implement the Company's strategic goals and ensure they are aligned with shareholder expectations heading into the 2018 financial year.

The application of the Remuneration Policy is therefore unchanged for 2018. The Committee will conduct a full review of the Remuneration Policy and its appropriateness in the coming year, as the new Chief Executive Officer comes on board and our current Policy reaches the end of its three-year term.

This report lays out the core principles of our Policy and our practices over the past year. I trust we have done this with the transparency and clarity that aids your understanding of both our intent and our activity.

Company highlights for the 2017 financial year

The Company has shown growth in 2017 with turnover increased by 4% to £452 million and adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") increased to £120 million (2016: £112 million), driven by our UK clay and concrete businesses.

Financial highlights for the year include:

- Group revenue – £452 million;
- Adjusted EBITDA – £120 million; and
- Profit after tax – £74 million; reflecting the underlying strength of the business.

Operational highlights include:

- UK Clay benefited from good activity levels within the UK new build housing sector with brick volumes well ahead year on year;
- Continued growth in UK Concrete; and
- Investment in additional UK brick capacity to meet demand.

In the US, revenue was down by 2%, principally reflecting a more competitive new build residential market and a less favourable product mix.

Further details of performance against the Company's key performance indicators are detailed on pages 24 and 25 and the Financial Review on pages 38 to 42.

Incentive outcomes in 2017

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

The annual bonus for our Executive Directors, which is based 60% on the Group's financial performance, 20% on strategic measures and 20% on individual objectives, reflects the overall Group performance this year and paid out at 58.5%-59.5% of maximum opportunity. Further details of the annual bonus targets for the year and performance against those targets are provided on page 74.

No long-term incentive plan ("LTIP") award vested in the year. The first grant of LTIP awards was made in 2016 and will vest in 2019.

Remuneration Committee decisions made during 2017

The Company's remuneration strategy is designed to motivate our senior leaders to deliver strategic objectives, ensure customer focus based on quality and consistency, and to drive long-term value for our shareholders. These core elements are captured in our incentive framework for the Executive Directors. Further details of how our incentives and their measures align to the Company's key strategic objectives can be found on page 68.

The Remuneration Policy was approved at the 2016 AGM on 26 May 2016 and the Committee believe that it supports Ibstock's business and remuneration strategy. No changes have been made to the Policy or its proposed operation for the coming year. The Committee will conduct a full review of the Remuneration Policy in 2018 in advance of a new Remuneration Policy to be put to shareholders at the 2019 AGM.

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

- Salary increase of 2.2% was awarded to the Chief Financial Officer, in line with the increase provided to the employee population. No increase was awarded to the outgoing Chief Executive Officer given his retirement from the business.
- The Committee determined that the Chief Executive Officer and Chief Financial Officer should receive annual performance bonus in respect of 2017 equal to 73.1% and 74.4% of base salary respectively, reflecting performance against the measures for the year.
- 2017 LTIP awards of 100% of salary were granted to Wayne Sheppard and Kevin Sims. The grant levels and performance targets for the LTIP are consistent with the normal award policy – further details of the awards are provided on page 75. No LTIP award vested in the year as the first awards under the plan were made in 2016 which will vest in 2019.
- The terms of Joe Hudson's appointment as Chief Executive Officer Designate were approved by the Committee (details are available on page 79).
- The arrangements in respect of Wayne Sheppard's retirement from the business (details are available on page 79).

Further details on how our Remuneration Policy will be applied in practice for the 2018 financial year are set out on page 79.

From January 2017, we welcomed Justin Reed as a Non-Executive Director and a member of the Remuneration Committee. *Justin brings with him a wealth of experience, including Group Finance Director roles held at Segro and Speedy Hire, that will be of great benefit to Ibstock as we continue to develop our business.*

Fairness and diversity

Creating a thriving and diverse workforce is a high priority for our business. However we recognise that we operate in an industry that historically has been associated with certain inherent challenges around diversity. We are fully committed to embracing the new developments in regulation and best practice to ensure that we, as a business, are contributing to the shift in the industry's outlook and approach from the perspective of gender equality and diversity of skills, background and knowledge.

Shareholder engagement

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

We monitor shareholder reaction and commentary regarding our remuneration practices. At the recent Annual General Meetings shareholders voted overwhelmingly in favour of our current Remuneration Policy and the 2016 Remuneration Report (with 99.36% and 99.39%, respectively). The details of the voting outcomes are presented on page 78.

Tracey Graham

Chair of the Remuneration Committee
5 March 2018

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

- The Annual Statement by the Remuneration Committee Chairman and associated "At a glance" section; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Company performance and remuneration for the 2017 financial year

The Chair's Annual Statement and the Annual Report on Remuneration will be subject to an advisory vote at the AGM on 24 May 2018

Directors' Remuneration Report continued

At a glance

Introduction

In this section, we:

- 1 – set out the purpose of our Remuneration Policy and its linkage to our corporate strategic objectives; and
- 2 – set out the remuneration outcomes for the 2017 financial year.

Our Remuneration Policy and its link to our Group strategy

The Group's strategy is laid out below.

Ensuring the alignment of the Remuneration Policy to the Company's strategy remains key for the Remuneration Committee in operating the Policy below in conjunction with our core principles of remuneration.

Our core principals of remuneration

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

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

Strategic priorities

Remuneration Policy	Continuing to focus on a safe working environment that has the development of employees and customer service at its core	Invest in new capacity and optimise output to take advantage of structural imbalances in the Group's market	Penetrate markets further through innovation	Equity ownership and retention of shares	Retain and reward the Executive team to deliver the strategy
Annual bonus The maximum bonus (including any part of the bonus deferred into an Annual Deferred Bonus Plan ("ADBP") Award) deliverable under the ADBP will not exceed 125% of a participant's annual base salary.	✓ Net Promoter Score ("NPS") and Lost Time Accidents ("LTA") These measures target customer satisfaction and health and safety in the workplace and therefore support this objective.	✓ Return on Capital Employed ("ROCE"), Adjusted EBITDA, Adjusted Operating Cash Flow The success in maximising operational excellence will be reflected through increased profitability and cash flow and the efficiency of any investment made through ROCE measurement.	✓ ROCE, Adjusted EBITDA, Adjusted Operating Cash Flow, NPS The efficient development of innovative products measured through ROCE and NPS performance will be reflected in increased profitability and cash flow.	✓	✓
LTIP Maximum annual award is normally 100% of salary. Awards will vest at the end of three years. For 2018, the performance conditions for awards are equally weighted between: – Adjusted Earnings per Share ("EPS") growth; and – comparative Total Shareholder Return ("TSR").		✓ Adjusted EPS, TSR The success in maximising operational excellence will be measured through the long-term Adjusted EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company which will be measured through the Company's TSR performance under the LTIP.	✓ TSR The generation of cash and profit growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators (a performance condition under the LTIP).	✓	✓
Share Incentive Plan ("SIP")				✓	✓
The Sharesave Plan ("SAVE")				✓	✓
Minimum shareholding requirements – CEO: 200% of salary. – CFO: 150% of salary.				✓	✓

1 – The definition of ROCE was amended in 2017. See note 3 of the financial statements on page 104

2017 financial year

Annual bonus outcomes

Our 2017 bonus outcomes outlined below reflect the performance measures and targets put in place during our 2017 financial year and their level of satisfaction. The bonus measures for the Executive Directors are aligned to the Company's key performance indicators ("KPIs") which are outlined on pages 24 and 25.

2017 bonus measures	Bonus value achieved	
	Wayne Sheppard	Kevin Sims
Adjusted EBITDA (20%),	£61,406	£41,901
Adjusted Operating Cash Flow (20%)	£71,244	£48,614
ROCE (20%)	£53,690	£36,636
Net Promoter Score (10%)	£13,573	£9,262
Lost Time Accidents (10%)	£36,196	£24,698
Personal objectives (20%)	£81,442	£59,276

The Company achieved performance between the target and maximum level for adjusted EBITDA and Adjusted Operating Cash Flow metrics. ROCE and Group non-financial measures performance for Net Promoter Score and Lost Time Accidents were above threshold.

The total pay-out was 73.1%–74.4% of salary (58.5%–59.5% of maximum bonus opportunity of 125% of salary for the two Executive Directors). Two-thirds of the 2017 bonus was paid in cash and one-third was deferred into shares for a period of three years.

Further details on the bonus outcomes can be found in the Annual Report on Remuneration on page 74.

Single figure remuneration for our Executive Directors

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

Executive Directors	2016 total	2017 total
Wayne Sheppard (CEO)	£788,685	£906,300
Kevin Sims (CFO)	£509,544	£625,223

The single figure table containing information for the 2016 and 2017 financial year for the Executive Directors and Non-Executive Directors is set out in detail on page 74.

Equity exposure of the Executive Directors

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

The incoming Chief Executive Officer has no shareholding in the Company and is expected to build up a shareholding equivalent to 200% of salary over the next five years.

The following chart sets out all subsisting interests in the equity of the Company held by the Executive Directors as at 31 December 2017.

Shareholding requirements as % of salary

Wayne Sheppard

Shareholding requirement	200%
Value of beneficially owned shares	3,115%
Value of/gain on interests over shares (i.e. unvested/unexercised awards)	286%

Kevin Sims (CFO)

Shareholding requirement	150%
Value of beneficially owned shares	2,630%
Value of/gain on interests over shares (i.e. unvested/unexercised awards)	278%

The number of shares of the Company in which current Directors had a beneficial interest as at 31 December 2017 are set out in detail on page 76.

Fairness, diversity and wider workforce considerations

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

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

Area	Considerations																														
Competitive pay and cascade of incentives	The Committee ensures that pay is fair throughout the Company and makes decisions in relation to the structure of executive pay in the context of the cascade of incentives throughout the business. The Committee's remit extends down to Executives and senior management for which it recommends and monitors the level and structure of remuneration.																														
	<table><tr><th>Level</th><th>Participation in bonus</th><th>Participation in LTIP</th><th>Participation in Share Option Plan</th><th>Participation in SAYE/SIP</th></tr><tr><td>Executive Directors</td><td>✓</td><td>✓</td><td></td><td>✓</td></tr><tr><td>Senior Executives</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr><tr><td>Senior managers</td><td>✓</td><td></td><td>✓</td><td>✓</td></tr><tr><td>Managers</td><td>✓</td><td></td><td></td><td>✓</td></tr><tr><td>Employees</td><td>✓</td><td></td><td></td><td>✓</td></tr></table>	Level	Participation in bonus	Participation in LTIP	Participation in Share Option Plan	Participation in SAYE/SIP	Executive Directors	✓	✓		✓	Senior Executives	✓	✓	✓	✓	Senior managers	✓		✓	✓	Managers	✓			✓	Employees	✓			✓
Level	Participation in bonus	Participation in LTIP	Participation in Share Option Plan	Participation in SAYE/SIP																											
Executive Directors	✓	✓		✓																											
Senior Executives	✓	✓	✓	✓																											
Senior managers	✓		✓	✓																											
Managers	✓			✓																											
Employees	✓			✓																											

Statement of considerations of employment conditions elsewhere in the Company

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

The remuneration strategy of the Company has been designed to ensure all employees share in its success through performance-related remuneration and share ownership. Awards under both the Annual and Deferred Bonus Plan and the Long-Term Incentive Plan will provide alignment between senior leaders and our shareholders based on overall corporate performance of the business.

For all UK employees, the Company has in place an SAYE Scheme and SIP (with local equivalents in other jurisdictions where possible). Currently, under these Plans all UK employees have the opportunity to purchase shares in the Company subject to certain restrictions.

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

Area	Considerations					
Competitive pay and cascade of incentives continued	Remuneration and its link to the Company's objectives					
				Objectives		
	Plan	Purpose	Eligibility	Financial performance	Strategic and operational goals	Long-term value creation (encouraged through equity retention) Share ownership
	SAYE/SIP	To broaden share ownership and share in corporate success over the medium term.	All employees.			✓ ✓
	Annual bonus	Incentivise and reward short-term performance. At senior level an element of bonus may be deferred in shares	Executive Directors, Senior Executives, Senior managers and managers	✓	✓	✓ ✓
	Share Option Plan	Broaden share ownership, alignment, retention, long-term performance.	Senior managers.			✓ ✓
	LTP	Incentivise and reward long-term performance.	Executive Directors and Senior Executives.	✓		✓ ✓

The Company uses a number of remuneration comparison measurements to assess fairness of pay structures across the Group. Detailed disclosure of our approach to fairness, diversity and wider workforce considerations is presented on page 70. In setting the Remuneration Policy for Directors, the pay and conditions of other employees of the Company are taken into account to ensure consistency of approach throughout the Company, including data on the remuneration structure for management level tiers below the Executive Directors, average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business.

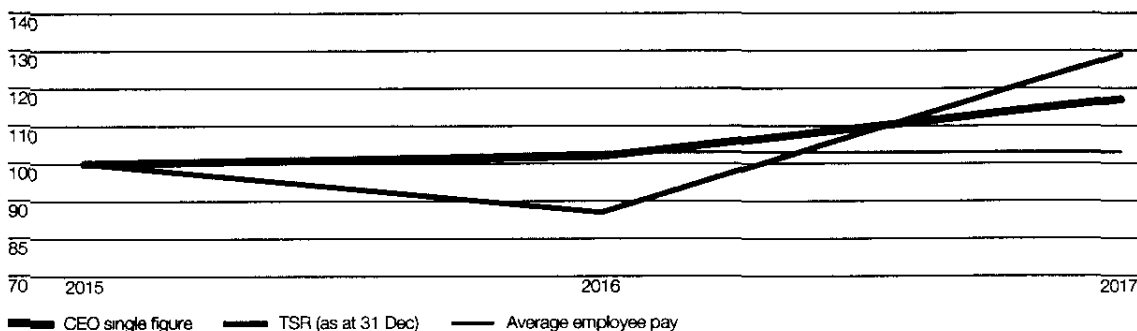
As a Remuneration Committee, we are keenly aware of the sensitivity of shareholders and the wider public regarding remuneration, including the Government's ongoing considerations for reforms to the governance framework in respect of executive pay. The Committee will continue to monitor developments closely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

Pay comparisons

CEO ratio

Our CEO to average employee pay ratio for 2017 is 22.5. This was measured as the ratio of CEO single figure pay realised in the year to average employee pay. To give context to this ratio, we have set out below a chart tracking CEO pay and average employee pay over time (where 2015 = 100) alongside Istock's TSR performance over the same period.

The Remuneration Committee has always been committed to ensure that CEO pay is commensurate with performance. The chart shows a clear alignment between shareholder returns and CEO single figure pay.



Directors' Remuneration Report continued

Area

Considerations

Pay comparisons continued

Employee and Group Executive Committee ratios

The table below sets out the total remuneration delivered to the Chief Executive Officer compared to the Group Executive Committee and average employee pay.

	31 Dec 2015	31 Dec 2016	31 Dec 2017
CEO single figure of total remuneration (£'000)	773	789	906
Average per Group Executive Committee member (£'000)	n/a	n/a	236
Average per employee (£'000) ¹	39	40	40
Ratio of CEO single total remuneration figure to employees	19.8	19.6	22.5
Ratio of CEO single total remuneration figure to Executive Committee members	n/a	n/a	3.8

1 – For simplicity, the average employee figure includes salary, bonus and employer pension contribution, whereas the CEO single figure also includes an additional amount in respect of the defined benefit pension scheme accrual.

CEO pay in the last three years

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

Year	2015 £'000	2016 £'000	2017 £'000
Single figure remuneration	773	789	906
% of maximum annual bonus earned	100%	33%	58%
% of maximum LTIP awards vesting ¹	n/a	n/a	n/a

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

Percentage change in CEO's remuneration

The table below shows how the percentage change in the CEO's salary, benefits and bonus between 2016 and 2017 compares with the percentage change in the average of each of those components of pay for the employees.

Year	Salary			Taxable benefits			Bonus		
	2016 £'000	2017 £'000	Percentage change	2016 £'000	2017 £'000	Percentage change ³	2016 £'000	2017 £'000	Percentage change
CEO ¹	425	434	2.2%	16	22	41.4%	174	318	82.2%
Average per eligible employee ²	36	38	4.2%	5	5	0%	13	24	80.2%

1 – The Chief Executive Officer's remuneration disclosed in the table above has been calculated to take into account base salary, taxable benefits excluding pension and annual bonus (including any amount deferred)

2 – The employee pay 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

3 – The change in the CEO's taxable benefits was primarily due, as reported in the previous year, to a move from the company car policy to a car allowance.

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 first disclosure of the pay gap is based on amounts paid in the year to 5 April 2017. The bonus gap is based on incentives paid in respect of the year to 5 April 2017. As Ibstock Brick is the largest employing entity, we have chosen to report these figures in this report.

The mean gender pay gap at Ibstock Brick is 7%. This is significantly lower than the UK average of 17.4% and the average for companies in the construction sector of 18.1%. This is mostly due to demographics within the Company. This can clearly be seen in the quartiles set out opposite, which show the number of male and female employees in each pay quartile:

Area	Considerations			
Gender pay continued	Quartile A (highest)		Quartile B	
	1. Male	91%	1. Male	94%
	2. Female	9%	2. Female	6%
	2	1	2	1
	Quartile C		Quartile D (lowest)	
	1. Male	91%	1. Male	69%
	2. Female	9%	2. Female	31%
	2	1		1

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

lbbstock's current employee population reflects the traditional nature of the industry, with around 85% of roles being occupied by men, including a high percentage of males employed in factory based production roles, which is reflective of manufacturing as a whole. We are proud of the steps we have already taken and continue to take to encourage more females into the business. However, we clearly believe further continued actions need to be taken to increase the representation of women within our business.

We are therefore taking a number of actions aimed at encouraging greater diversity and a wide range of candidates internally and externally in our recruitment practices for all roles within the Company, including production areas where there is a significant under representation of women and where we have a range of diverse roles suitable for all. We are starting to get some success with a number of females joining our business in production operative roles and we have recently employed our first female electrical apprentice.

We have always offered a range of flexible working arrangements, including part time and job sharing arrangements. These arrangements are open to all employees and are decided on a case by case basis in line with our operational requirements.

Whilst we already have a number of females in Leadership roles, we have established an internal networking and mentoring scheme to provide female role models to support and encourage our female employees to develop and grow their careers with us. As part of this we have also formed a link with Aspire, an internationally recognised leadership, management and communication skills organisation. Aspire are currently leading a “MAD” (Making a Difference) movement focused on coaching and development for women in business.

Diversity policy	<p>Our Diversity and Inclusion and range of Family Friendly and Flexible Working policies have been developed to make sure we have harmonious working environments, where every person can grow their skills and thrive together to share in our success. They also ensure that all job applicants, employees and other workers (such as agency staff and consultants) are treated with dignity and respect regardless of any personal characteristics or circumstances.</p> <p>In 2017 we implemented compliance refresher training for our people to remind everyone of the Company's policies regarding equality and diversity and the commitment to the prevention of discriminatory practices, procedures and attitudes in our business. This training will be repeated on an annual basis with existing and new employees. In addition we will be carrying out some focused diversity training in 2018, including areas such as overcoming unconscious bias.</p>
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Directors' Remuneration Report continued

Annual Report on Remuneration

Single total figure of remuneration (Audited)

Executive Directors (Audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2017 financial year to 31 December 2017.

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

Executive Directors	Period	Salary	Taxable benefits ¹	Bonus	LTIP ²	Pension ³	Other	Total
Wayne Sheppard (CEO)	2017	£434,350	£22,375	£317,551	n/a	£132,024	0	£906,300
Wayne Sheppard (CEO)	2016	£425,000	£15,829	£174,300	n/a	£173,556	0	£788,685
Kevin Sims (CFO)	2017	£296,380	£15,676	£220,387	n/a	£92,780	0	£625,223
Kevin Sims (CFO)	2016	£290,000	£14,715	£115,309	n/a	£89,520	0	£509,544

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

2 – No LTIP award vested in the year. The first grant of LTIP awards was made in 2016 and will vest, subject to performance, in 2019.

3 – Comprises of the value of Defined Benefit Pension Scheme ("DB") accruals and salary supplements in lieu of pension. See note on page 76 for further details.

Taxable benefits (Audited)

Benefits in the 2017 financial year comprised a company car allowance, private health cover, death in service cover and income protection. Wayne Sheppard and Kevin Sims received car allowances of £20,000 and £15,000 per annum, respectively.

Bonus (Audited)

In respect of the 2017 financial year, the bonus awards payable to Executive Directors were agreed by the Committee having reviewed the Company's results. Details of the targets used to determine bonuses in respect of the 2017 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Performance condition	Weighting	Threshold performance required	Maximum performance required	Actual performance	Percentage of maximum performance achieved ¹	Bonus value achieved	
						Wayne Sheppard	Kevin Sims
Adjusted EBITDA	20%	£111.7m	£121.1m	£119.6m	11.3%	£61,406	£41,901
Adjusted Operating Cash flow	20%	£69.6m	£80.6m	£80.0m	13.1%	£71,244	£48,614
ROCE	20%	18.1%	20.1%	19.7%	9.9%	£53,690	£36,636
NPS (Net Promoter Score)	10%	42%	46%	43%	2.5%	£13,573	£9,262
LTAs (Lost Time Accidents) ²	10%	20	17	18	6.7%	£36,196	£24,698
Personal objectives	20%	Achievement of the personal objectives for 2017 are outlined below.			15%–16%	£81,442	£59,276
Total	100%				58.5%–59.5%	£317,551	£220,387

1 – Under the terms of the 2017 annual bonus, 0% for each element is payable for achieving the threshold performance, 50% for achieving target performance and 100% for achieving maximum performance. One third of any bonus is deferred for three years into Company shares subject to continued employment.

2 – Comprises employees and contractors.

Personal objectives for the Chief Executive Officer and Chief Financial Officer for the 2017 financial year and the associated outcomes are outlined below:

Name	Objective area	Notes
Wayne Sheppard	Business and vision (50%)	<ul style="list-style-type: none"> Objectives relating to capital allocation projects were achieved. Objectives relating to strategic review and options in respect of divisional performance were achieved.
	People and talent (25%)	<ul style="list-style-type: none"> Objectives regarding senior level succession planning were achieved.
	Strategic projects (25%)	<ul style="list-style-type: none"> Objectives regarding new plant and product readiness were achieved.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to a 75% achievement for this element of the bonus (15% of maximum annual bonus opportunity).

Name	Objective area	Status
Kevin Sims	Business and vision (50%)	<ul style="list-style-type: none"> Objectives relating to management of external analysts' and shareholder relationships were achieved. Objectives in respect of the development of Group strategic planning and supporting capabilities were achieved. Objectives relating to development of the relationship with HMRC and progress with Tax Strategy were achieved.
	People and talent (25%)	<ul style="list-style-type: none"> Objectives relating to the IT and Finance functions were achieved.
	Strategic projects (25%)	<ul style="list-style-type: none"> Objectives regarding the effective management of the auditors' transition were achieved.

The Remuneration Committee determined that overall performance against these objectives was strong and equates to an 80% achievement for this element of the bonus (16% of maximum annual bonus opportunity).

No discretion was exercised by the Committee in relation to the outcome of the bonus awards. The Committee was satisfied that the awards were consistent with the achievement of the targets that had been set.

Long-term incentives awarded in 2017 (Audited)

The table below sets out the details of the long-term incentive awards granted in the 2017 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods.

Name	Award type	Date of grant	Shares awarded	Face value on date of grant	Percentage of award vesting at threshold performance Percentage	Maximum percentage of face value that could vest Percentage	Performance conditions
Wayne Sheppard	LTIP	29/03/2017	205,075	£434,350	25	100	Relative TSR and EPS
Kevin Sims	LTIP	29/03/2017	139,933	£296,380	25	100	Relative TSR and EPS

Share price by reference to which the award was granted is £2.118 (closing share price on 28 March 2017)

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

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

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

Long-term incentives vested in 2017

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

Directors' Remuneration Report continued

Pension entitlements (Audited)

As previously disclosed, Wayne Sheppard and Kevin Sims were members of the Defined Benefit Scheme until 31 January 2017, when the Scheme closed. Both Executive Directors declined a £1,000 cash payment arising from the closure of the DB Scheme which was paid to all other members of the Scheme. From 1 February 2017, they received a 20% salary supplement in lieu of pension contributions. Executive Directors have no prospective entitlement to defined benefit pensions from the scheme.

In the 2017 financial year, Wayne Sheppard's pensionable pay under the DB Scheme was capped at £164,783 and Kevin Sims' pensionable pay was capped at £112,500. Each Director received 20% salary supplement in lieu of pension on their salary above these pension caps until the scheme's closure.

The number disclosed in the single figure table for the 2017 financial year includes the following elements:

	CEO	CFO
Value x 20 over increase in year (net of Director's contribution) until 31 January 2017	£47,900	£35,380
Salary supplement on pay in excess of pension cap (at 20%) until 31 January 2017	£4,493	£3,064
Salary supplement (at 20%) in February–December 2017	£79,631	£54,336
Total	£132,024	£92,780

Non-Executive Directors (Audited)

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

Non-Executive Directors	2016 fees	2017 fees	Roles
Jamie Pike	£175,000	£175,000	Independent Non-Executive Chairman
Jonathan Nicholls	£65,000	£65,000	Senior Independent Non-Executive Director
Lynn Minella	£55,806	£60,000	Non-Executive Director
Tracey Graham	£46,774	£50,000	Non-Executive Director
Michel Plantevin ¹	£0	£0	Non-Executive Director
Matthias Boyer Chamard ¹	£0	£0	Non-Executive Director
Justin Read ²	–	£50,000	Non-Executive Director

1 – Michel Plantevin and Matthias Boyer Chamard resigned from the Board following the AGM on 24 May 2017. Prior to that date they did not receive payment from Istock with respect to their qualifying services as Directors of the Company as they represented one of the Company's shareholders.

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

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

There were no payments in the financial year.

Statement of Directors' shareholding and share interests (Audited)

Directors	Shareholding requirement % salary	Current shareholding ¹ % salary	Shares held directly	Other shares held		Options		Outstanding SAYE awards ²	Shareholding requirement met?
			Beneficially owned ⁴	Interests subject to performance conditions	Interests not subject to performance conditions	Vested	Unvested		
Executive Directors									
Wayne Sheppard	200%	3,115%	5,076,244	422,577	31,748	n/a	n/a	11,842	Yes
Kevin Sims	150%	2,630%	2,924,558	288,346	21,003	n/a	n/a	n/a	Yes
Non-Executive Directors									
Jamie Pike	n/a	n/a	98,500	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Nicholls	n/a	n/a	10,000	n/a	n/a	n/a	n/a	n/a	n/a
Lynn Minella	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tracey Graham	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Michel Plantevin	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Matthias Boyer Chamard	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Justin Read ³	n/a	n/a	17,500	n/a	n/a	n/a	n/a	n/a	n/a

1 – As at 31 December 2017. This was based on a closing share price of £2.67 at 31 December 2017 and the year-end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

2 – SAYE grants made under the Istock plc Sharesave Plan. Awards were granted on 9 December 2015 with an exercise price of £1.52 (awarded at a discount of 20% to the IPO offer price of 190 pence). The SAYE options are first exercisable on 1 February 2019.

3 – Appointed from 1 January 2017.

4 – 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.

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

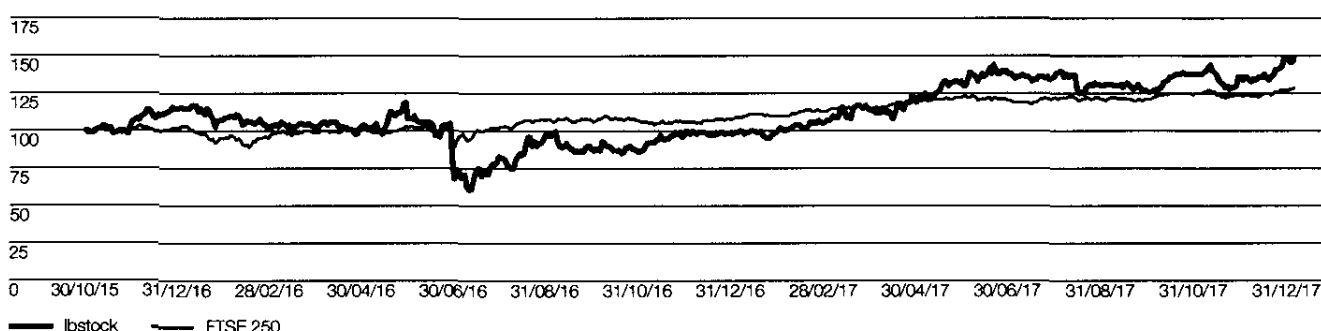
Comparison of overall performance and pay

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

The Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this index since listing. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 27 October 2015 and therefore only has a listed share price for the period of 27 October 2015 to 31 December 2017.

Total Shareholder Return

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



Chief Executive Officer historic remuneration

The table below sets out the total remuneration delivered to the Chief Executive Officer over the period 26 February 2015 to 31 December 2017, valued using the methodology applied to the single total figure of remuneration. There is no relevant data before 2015.

Chief Executive Officer	2015	2016	2017
Single total figure	£773,309	£788,685	£906,300
Annual bonus payment level achieved (% of maximum opportunity)	100%	33%	58%
LTIP vesting level achieved (% of maximum opportunity)	n/a	n/a	n/a

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

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2017 and 2016 financial years. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2016 financial year £'m	Disbursements from profit in 2017 financial year £'m
Profit distributed by way of dividend	28	32
Overall spend on pay including Executive Directors	124	128

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

	% increase/(decrease) in remuneration in 2017 compared with remuneration in 2016	
	CEO	Employees
Salary	2.2%	4.2%
Annual bonus	82.2%	80.2%
Taxable benefits	41.4%	0%

Note: Change in CEO's taxable benefits is primarily due to the change reported in the previous year from a company car policy to a car allowance.

Directors' Remuneration Report continued

Statement of consideration of shareholder views and voting at general meeting

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

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

The Remuneration Policy was put to a binding vote at the 2016 AGM on 26 May 2016. The Annual Report on Remuneration was put to an advisory vote at the 2017 AGM on 24 May 2017. 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 (2017)	316,378,720	99.39%	1,929,259	0.61%	318,307,979	2,800
Directors' Remuneration Policy (2016)	374,209,516	99.36%	2,394,225	0.64%	376,603,741	2,250

The Remuneration Committee reviews the Policy on an ongoing basis and is comfortable that it remains appropriate as the structure by which to incentivise and motivate the leadership team to implement the Company's strategic goals and ensure they are aligned with shareholder expectations heading into the 2018 financial year.

The application of the Remuneration Policy is therefore unchanged for 2018. Details of the application of the policy for 2018 financial year are outlined on page 79.

Consideration by the Directors of matters relating to Directors' remuneration

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

The terms of reference for the Committee are available on the Company's website, www.lbstockplc.com/investors, and from the Company Secretary at the registered office.

Our main responsibilities are:

- To determine and agree with the Board the broad Remuneration Policy for the Executive Directors and other selected members of the senior management team;
- To review the ongoing appropriateness and relevance of the Remuneration Policy; and
- To review any major changes in employee benefit structures throughout the Company or Group and to administer all aspects of any share scheme.

The Committee receives assistance from the Group HR Director and Company Secretary, who will attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Chief Executive Officer and Chief Financial Officer attend by invitation on occasions.






Advisers to the Remuneration Committee

The Committee retained the services of PricewaterhouseCoopers LLP ("PwC") as independent remuneration adviser. During the financial year, PwC advised the Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive team. PwC also provided the Company with tax and accountancy advice during the 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 £59,500 (2016: £58,000) were provided to PwC during the year in respect of remuneration advice received.

Implementation of our Remuneration Policy for the 2018 financial year

Our proposed implementation of the Policy for the 2018 financial year is set out below.

	Year	Key elements and time period					Overview of Remuneration Policy implementation for 2018
		+1	+2	+3	+4	+5	
Base salary							<p>For 2018 base salaries will be:</p> <ul style="list-style-type: none"> Wayne Sheppard: £434,350 (no increase) Joe Hudson: £435,000 (appointment salary) Kevin Sims: £303,197 (2.3% increase) <p>Proposed salary increase is in line with the rises for all employees</p>
Pension							<p>The maximum salary supplement in lieu of pension contribution will be 20% of gross basic salary.</p>
Benefits							<p>Standard benefits will be provided, including car allowance (£20,000 for Wayne Sheppard, £18,000 for Joe Hudson and £15,000 for Kevin Sims), private health cover, death in service cover and income protection.</p> <p>See page 74 for further details.</p>
Annual and Deferred Bonus Plan ("ADBP")							<p>For 2018 the maximum bonus opportunity will be 125% of salary for all Executive Directors.</p> <p>For 2018, 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.</p> <p>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.</p> <p>The performance conditions and their weightings for the 2018 annual bonus are as follows:</p> <ul style="list-style-type: none"> Adjusted EBITDA (20%); Adjusted Operating Cash Flow (20%); ROCE (20%); NPS (Net Promotor Score) (10%); LTAs (Lost Time Accidents) (10%); and Personal objectives (20%).
LTIP							<ul style="list-style-type: none"> In 2018 the maximum annual LTIP award of 100% of salary will be awarded to Joe Hudson and Kevin Sims. The performance conditions for awards will be equally weighted between Adjusted Earnings per Share ("EPS") growth and comparative Total Shareholder Return ("TSR") assessed over a three-year performance period. TSR performance of the Company compared to the FTSE 250 (excluding financial services, real estate and equity investment trusts) – with threshold vesting for median performance against the index and full vesting for upper quartile performance; and EPS growth – with threshold performance at 6% per annum growth and maximum performance at 16% per annum growth, straight line vesting between the points. A two-year holding period will apply to the 2018 LTIP awards following vesting.
Non-Executive Directors' fees							<p>The Non-Executive Director fees are to remain the same as the previous year. The current fee levels are:</p> <ul style="list-style-type: none"> Chairman – £175,000 Board fee (including Committee membership) – £50,000 Committee Chairmanship (per Committee) – £10,000 Senior Independent Director – £5,000

Joe Hudson's appointment

Joe Hudson joined the Company on 2 January 2018 as CEO designate. Full details of Joe's remuneration are set out in the table above. In addition to the above terms, it was agreed to buy-out, on a fair-value basis, the value forgone by Joe in respect of share awards which he forfeited on cessation of employment with his previous employer. The award of 21,570 Ibstock plc ordinary shares of 1 pence each takes into account the partial satisfaction of the original performance period at the time of the buy-out. The buy-out award will vest, subject to Joe's continued employment with Ibstock, on the first anniversary of his joining date.

Directors' Remuneration Report continued

Wayne Sheppard's retirement

As noted on page 66 Wayne Sheppard will step down from the Board as CEO after a handover period. Wayne will remain available to the Company until the end of 2018. Full details of Wayne's leaving terms will be set out in next year's Directors' Remuneration Report.

Summary Remuneration Policy table

A summary of the approved Remuneration Policy is outlined below. No changes to the approved Policy were made in 2017.

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

Element of remuneration	Operation
Base salary	<p>The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Ibstock in the FTSE 250 (excluding financial services, real estate and equity investment trusts), validated against companies operating in a similar sector.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> – remuneration practices within the Group; – the general performance of the Group; – salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; – any change in scope, role and responsibilities; and – the economic environment. <p>An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>In general, salary increases for Executive Directors will be in line with the increase for employees.</p>
Benefits	<p>The Executive Directors receive a company car or car allowance, private health cover, death in service cover and income protection.</p> <p>Additional benefits may be offered such as relocation allowances on recruitment.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>
Pension	The maximum salary supplement in lieu of pension contribution will be 20% of gross basic salary.
Annual and Deferred Bonus Plan ("ADBP")	<p>The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 125% of salary.</p> <p>The maximum value of deferred shares is 50% of the bonus earned, which vest after a minimum deferral period of three years based on continued employment.</p>
Long-Term Incentive Plan ("LTIP")	<p>LTIP maximum grant is 100% of salary p.a. (150% in exceptional circumstances).</p> <p>The Committee considers and sets the performance measures and targets for each LTIP award. See page 75 for the details of the 2017 LTIP grant.</p> <p>The LTIP contains clawback and malus provisions.</p>
Share Incentive Plan ("SIP") and The Sharesave Plan	The Company operates a SIP and Sharesave Plan in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff) to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.
Minimum shareholding requirement	<p>The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of base salary.</p> <p>Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.</p> <ul style="list-style-type: none"> – CEO: 200% of salary. – CFO: 150% of salary.
Non-Executive Director and Chairman fees	<p>The fees for Non-Executive Directors and the Chairman are set at broadly the median of the comparator group.</p> <p>Non-Executive Directors are paid an annual fee and additional fees for chairmanship of committees. The Chairman does not receive any additional fees for membership of committees.</p> <p>In general, the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and the general rise in salaries across the UK workforce.</p> <p>The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.</p>

Malus and clawback

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

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

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

Discretion

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

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

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

Illustrations of the application of the Remuneration Policy

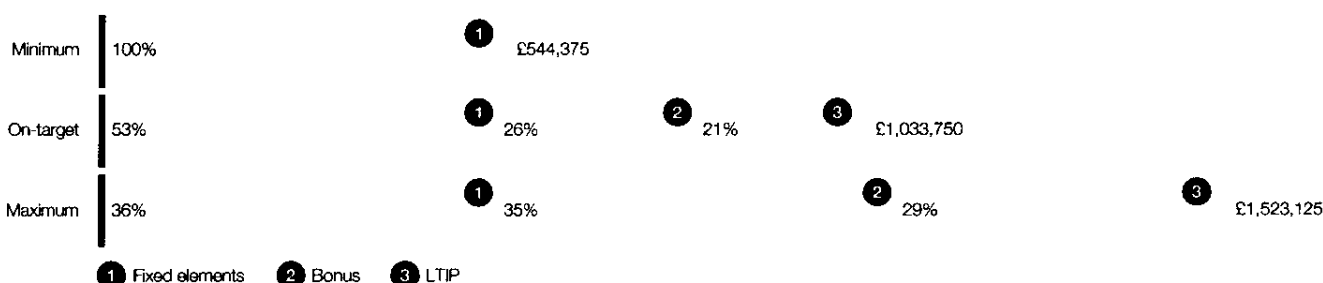
The charts below illustrate the total remuneration that would be paid to each of the Executive Directors, based on salaries at the start of the 2018 financial year, under three different performance scenarios: (i) minimum; (ii) on-target; and (iii) maximum. They also show the actual single figure of remuneration for the Executive Directors for the 2017 financial year, for comparison purposes.

The table overleaf sets out the assumptions used to calculate the elements of remuneration for each of these scenarios. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus (deferred bonus); and (iii) LTIP.

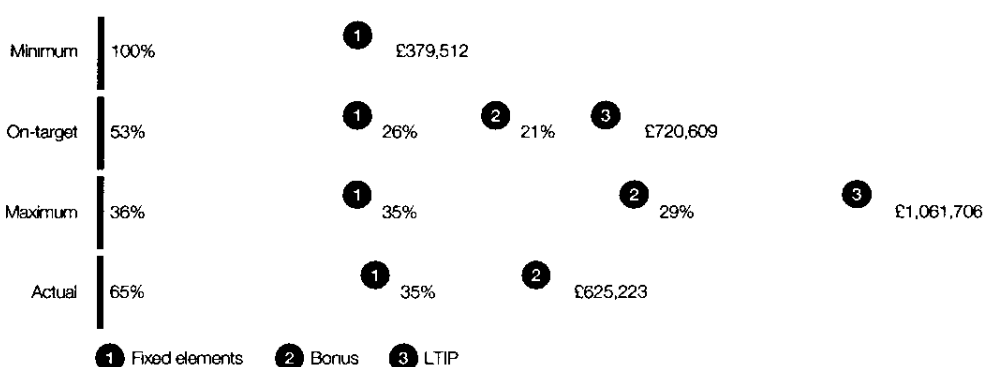
Wayne Sheppard (outgoing CEO)



Joe Hudson (incoming CEO)



Kevin Sims (CFO)



Directors' Remuneration Report continued

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

1 – Salary is FY18 base salary.

2 – Based on 2017 benefits payments and pension values as per the proposed 2018 implementation of policy.

3 – In accordance with the regulations share price growth has not been included. In addition, dividend equivalents have not been added to the deferred share bonus and LTIP share awards.

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

Pay at risk

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

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

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

Wayne Sheppard (Outgoing CEO)

1. At risk	£488,644	
2. Pension and benefits	£109,245	1
3. Salary	£434,350	

Annual bonus	£271,469
LTIP	£217,175

3 2

Joe Hudson (incoming CEO)

1. At risk	£489,375	
2. Pension and benefits	£109,375	1
3. Salary	£435,000	

Annual bonus	£271,875
LTIP	£217,500

3 2

Kevin Sims (CFO)

1. At risk	£341,097	
2. Pension and benefits	£76,315	1
3. Salary	£303,197	

Annual bonus	£189,498
LTIP	£151,599

3 2

Executive Directors

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

Non-Executive Directors

Name	Date of their appointment
Jamie Pike	22 September 2015
Jonathan Nicholls	22 September 2015
Lynn Minella ¹	3 February 2016
Tracey Graham	3 February 2016
Michael Plantevin ²	22 October 2015
Matthias Boyer Chamard ²	22 October 2015
Justin Read	1 January 2017

1 – Stepped down 31 December 2017.

2 – Michel Plantevin and Matthias Boyer Chamard resigned from the Board following the AGM on Wednesday 24 May 2017

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

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

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

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

Tracey Graham

Chair of the Remuneration Committee
5 March 2018

Directors' Report

The Directors present their report for the year ended 31 December 2017.

Management Report and Corporate Governance Statement

This Directors' Report and the Strategic Report on pages 1 to 42 together comprise the "Management Report" for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R. The Directors' Report, which incorporates by reference the corporate governance information on pages 43 to 85, fulfils the requirements of the Corporate Governance Statement for the purposes of Disclosure Guidance and Transparency Rule 7.2.1.

Information incorporated by reference

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

Information	Reported in	Pages
Corporate governance	Corporate Governance Statement	43 to 85
	Statement of Directors' Responsibilities	86
Directors	Board of Directors	50 and 51
	Directors' Remuneration Report – Directors' shareholdings and share interests	66 to 83
Financial instruments	Financial statements – note 22	127 to 130
Disclosures concerning Greenhouse Gas Emissions	Corporate Responsibility	31
Important events since the end of the financial year	Financial Review	41
Likely future developments	Chief Executive's Statement	17
Results and dividends	Chairman's Statement	6
Research and development	Chief Executive's Statement	14
Employment of disabled persons	Resources and Relationships	27
Employee involvement	Resources and Relationships	28
Disclosure of information to auditors	Statement of Directors' Responsibilities	86

Directors

The names and biographies of the Directors as at the date of this report are shown on pages 50 and 51. Other Directors who served on the Board during the year and the dates on which they stepped down are shown below:

Director	Date stepped down
Matthias Boyer Chamard	24 May 2017
Michel Plantevin	24 May 2017
Lynn Minella	31 December 2017

As announced on 14 February 2018, Jamie Pike will step down from the Board following conclusion of the AGM on 24 May 2018.

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

Disclosure of information under LR 9.8.4R

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

Subject matter	Page reference
Information about the relationship agreement with Diamond (BC) S.a.r.l.	page 52

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

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

Substantial shareholdings

As at 31 December 2017, 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
BlackRock Inc	22,911,904	5.64%	Indirect
FMR LLC	20,366,029	5.01%	Indirect
Franklin Templeton Fund Management Limited	20,400,000	5.02%	Indirect

In the period from 31 December 2017 to the date of this report, no further notifications were received.

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

Significant agreements (change of control)

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

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

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

Directors' and Officers' liability insurance and indemnities

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

Financial instruments

Details of the financial instruments used by the Group are set out in Note 22 to the Group consolidated financial statements, which are incorporated into this Report of the Directors by reference. The Group's financial risk management objectives and policies are included in the Risk management overview on page 37 and in Note 22 of the Group consolidated financial statements.

Political donations

No political donations were made during the year ended 31 December 2017.

Annual General Meeting 2018

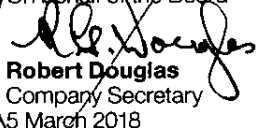
The AGM will be held on 24 May 2018, at 2:00 p.m. at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY. The Notice convening the meeting together with explanatory notes on the resolutions to be proposed and full details of the deadlines for appointing proxies is contained in a circular which will be circulated to all shareholders at least 20 working days before such meeting together with this Report.

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

Auditor

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

On behalf of the Board


Robert Douglas
Company Secretary
5 March 2018

Statement of Directors' Responsibilities

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and applicable law. Under company law the Directors must not approve the Annual Report and Accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group consolidated financial statements, International Accounting Standard No1 requires Directors to:

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

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

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

Disclosure of information to auditors

Each person who is a Director of the Company as at the date of approval of this report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and
- (b) the Director has taken all the steps that he or she ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Responsibility Statement

The Directors who were in office as at 31 December 2017 and who remain in office as at the date of this report (whose names and functions are given on pages 50 and 51) confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group and Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 5 March 2018 and is signed on its behalf by:

Wayne Sheppard
Chief Executive Officer
5 March 2018

Kevin Sims
Chief Financial Officer
5 March 2018

Independent Auditor's Report to the members of Ibstock plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Ibstock plc (the 'parent company') and its subsidiaries (together, the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 32 and 1 to 12.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – Revenue recognition and customer rebates; and – Inflation and discount rate assumptions used in defined benefit pension scheme valuations. <p>This is our first year as auditor for the Group. The key audit matters identified in respect of rebates and pensions are the same as the prior year identified by the previous auditor (Ernst & Young LLP).</p>
Materiality	The materiality that we used for the group financial statements was £4.0m which was determined on the basis of profit before tax.
Scoping	We performed full scope audits on the three UK trading components (Ibstock Brick, Forticrete and Supreme), Head office entities and the consolidation process. Agreed upon procedures were performed by a local audit team in respect of the US trading component, Glen-Gery.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Independent Auditor's Report continued

Report on the audit of the financial statements continued

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 32 to 37 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation on page 58 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on page 42 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the Directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – customer rebates

Key audit matter description	<p>The Group enters into various agreements whereby it offers customers retrospective rebates according to the volume of transactions completed 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 the product range. Due to the high level of complexity involved, we have determined that there was a potential for fraud through possible manipulation of this balance. The key audit matter in relation to customer rebates is pinpointed to the accuracy and completeness of the reduction against revenue in respect of rebates for customers in all divisions of the Group.</p> <p>Refer to note 1 (Accounting policies).</p>
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures to address this key audit matter. We have:</p> <ul style="list-style-type: none"> – assessed the design and implementation of the controls to address the key audit matter in all divisions and the operating effectiveness of controls in the Brick and Forticrete divisions; – performed 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 confirming the sales data on which the rebate calculations are based; – reviewed the largest customers in each of the divisions and requested written confirmations from a sample of the largest customers to confirm that the rebate provided by the Group is the full rebate due to the customer for 2017; – assessed the completeness of rebates by reviewing credit notes raised during 2017 and post year-end, reviewed 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	<p>Our testing of a sample of rebate agreements did not identify any material differences in the level of rebate recognised as a reduction against revenue.</p> <p>We agree that there is no material misstatement in the level of rebates recognised for the year ended 31 December 2017.</p>

Inflation and discount rate assumptions used in defined benefit pension liability valuation

Key audit matter description	<p>The Group has a net defined benefit pension asset of £46.1m (gross liabilities of £613.4m) at 31 December 2017 (31 December 2016: £28.7m net liability and £698.0m gross liabilities).</p> <p>There is a risk of material misstatement relating to judgements made in valuing the defined benefit pension scheme liabilities as small changes in the key model input assumptions such as the discount rate and inflation rate can have a significant impact on the valuation of the liability.</p> <p>Refer to the Audit Committee Report, note 1 (Accounting policies) and note 20 (Post-employment benefit obligations).</p>
How the scope of our audit responded to the key audit matter	<p>We performed the following procedures to address this risk. We have:</p> <ul style="list-style-type: none"> – utilised our Pensions Analytics tool to assess the appropriateness of the inflation and discount rate assumptions used in respect of the UK scheme; – engaged Deloitte actuarial specialists in respect of the methodology adopted and to review the legal advice received in the year in respect of IFRIC 14 and the Company's ability to access any surplus in the scheme; – considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to changes in these key assumptions; and – challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation with reference to comparator company and market data as at 31 December 2017.
Key observations	<p>From the work performed we are satisfied that the key assumptions applied in respect of the valuation of the defined benefit pension scheme liabilities are within a reasonable range.</p> <p>We are satisfied that the recognition of a pension asset in the year (and reversal of the previous additional IFRIC 14 liability) is appropriate.</p>

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£4.0m (2016: £3.6m by the previous auditor)	£3.2m
Basis for determining materiality	5% of pre-tax profit (2016: 5% of profit before tax after adjusting for exceptional items)	2% of net assets, capped at component materiality.
Rationale for the benchmark applied	<p>We have selected profit before tax as our benchmark as it is the key focus for shareholders in assessing the performance of the Group.</p> <p>We have adopted a different benchmark for determining materiality to that used by the predecessor auditor. We consider statutory profit before tax to be the most appropriate benchmark in the current year, as this is the key focus for shareholders in assessing the performance of the Group. The approach in the prior year was to use profit before tax after adjusting for exceptional items. In the current year, pre-tax exceptional items of £4.9m have been recognised (2016: £32.0m gain before tax from exceptional items).</p>	<p>Net assets are considered to be an appropriate benchmark for the Company given that it is mainly a holding company. A set percentage of group materiality was applied to the Company based upon the scoping of components, assessing the risk within the Company compared to others within the group.</p>

1. PBT	£83.4m
2. Group materiality	£4.0m

1

2

Component materiality
range £1.6m to £3.2m

Audit Committee reporting
threshold £0.2m

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £200,000 (2016: £180,000) for the group, 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.

Independent Auditor's Report continued

Report on the audit of the financial statements continued

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at a group level. Based on that assessment, we focussed our group audit scope primarily on the audit work at the three UK trading components (Ibstock Brick, Forticrete and Supreme). Full audits were performed in these locations. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality ranging from £1.6 million to £3.2 million. At the Group level, we also tested head office entities and the consolidation process. In total this provided coverage of 80% of revenue, 95% of profit before tax and 85% of the net assets. Specified audit procedures were performed on the remaining revenue, profit and net assets by a local audit team in respect of the US trading component, Glen-Gery.

Revenue

1. Full audit scope	80%	1
2. Specified audit procedures	20%	

2

Profit before tax

1. Full audit scope	95%	2	1
2. Specified audit procedures	5%		

Net assets

1. Full audit scope	85%	1
2. Specified audit procedures	15%	

2

The parent company is located in Ibstock and audited directly by the group audit team. The Group team is also responsible for the Head Office entities and the consolidation. The component team in the US perform audit work and report into the Group team. As part of the 2017 audit, a senior member of the group audit team visited the US component to direct and scope the specified audit procedures, meeting with management and the local Deloitte US team. For all components we attend the local close meetings.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 24 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year.

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).


Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
5 March 2018

Financial statements

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Consolidated income statement

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	4	451,583	434,687
Cost of sales before exceptional items		(283,745)	(268,554)
Gross profit before exceptional items		167,838	166,133
Exceptional cost of sales	5	–	(353)
Gross profit		167,838	165,780
Distribution costs		(38,344)	(36,523)
Administrative expenses before exceptional items		(41,542)	(47,258)
Other exceptional administrative items	5	1,529	(1,741)
Administrative expenses		(40,013)	(48,999)
Exceptional curtailment gain	5	–	30,317
Profit on disposal of property, plant and equipment	6	144	625
Other income		5,859	3,439
Other expenses		(691)	(693)
Operating profit		94,793	113,946
Finance costs before exceptional items		(5,713)	(7,657)
Exceptional finance (costs)/income	5/8	(6,386)	3,286
Finance costs	8	(12,099)	(4,371)
Finance income before exceptional items		732	764
Exceptional finance income	5/9	–	522
Finance income	9	732	1,286
Net finance cost		(11,367)	(3,085)
Profit before taxation		83,426	110,861
Taxation	10	(9,876)	(20,498)
Profit for the financial year		73,550	90,363
Profit attributable to:			
Owners of the Parent		73,550	90,363
	Notes	Pence	Pence
Earnings per share			
Basic	11	18.1	22.3
Diluted	11	18.0	22.1

The notes on pages 98 to 137 form an integral part of these consolidated financial statements.

All amounts relate to continuing operations.

Consolidated statement of comprehensive income

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Notes		
Profit for the financial year		73,550	90,363
Other comprehensive income/(expense):			
Items that will not be reclassified to the profit or loss			
Remeasurement of post employment benefit assets and obligations ¹	20	54,728	(66,896)
Remeasurement of post employment benefits – surplus restriction ¹	20	14,223	(5,877)
Related tax movements ¹	10	(12,857)	14,061
		56,094	(58,712)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences ²		(7,853)	14,946
		(7,853)	14,946
Other comprehensive (expense)/income for the year, net of tax		48,241	(43,766)
Total comprehensive income for the year, net of tax		121,791	46,597
Total comprehensive income attributable to:			
Owners of the Parent		121,791	46,597

1 – Impacting retained earnings

2 – Impacting the currency translation reserve.

The notes on pages 98 to 137 form an integral part of these consolidated financial statements.

Non-GAAP measure			
Reconciliation of adjusted EBITDA to Operating profit for the financial year			
		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Notes		
Adjusted EBITDA		119,599	111,633
Add back exceptional items	5	1,529	28,223
Less depreciation and amortisation	6	(26,335)	(25,910)
Operating profit		94,793	113,946

Consolidated balance sheet

	Notes	31 December 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Intangible assets	12	116,010	123,286
Property, plant and equipment	13	400,480	392,303
Deferred tax assets	21	1,412	1,560
Post employment benefit asset	20	46,064	–
		563,966	517,149
Current assets			
Inventories	14	91,118	88,757
Trade and other receivables	15	53,416	52,148
Cash and cash equivalents		31,490	45,829
		176,024	186,734
Assets held for sale	16	4,853	1,203
Total assets		744,843	705,086
Current liabilities			
Trade and other payables	17	(85,342)	(80,220)
Borrowings	18	(551)	(13,044)
Current tax payable		(3,735)	(7,098)
Provisions	19	(350)	(462)
		(89,978)	(100,824)
Net current assets		90,899	87,113
Total assets less current liabilities		654,865	604,262
Non-current liabilities			
Borrowings	18	(147,980)	(165,556)
Post-employment benefit obligations	20	(8,735)	(38,074)
Deferred tax liabilities	21	(66,702)	(57,005)
Provisions	19	(10,620)	(14,170)
		(234,037)	(274,805)
Net assets		420,828	329,457
Equity			
Share capital	23	4,064	4,063
Share premium	24	781	–
Retained earnings		776,912	677,361
Merger reserve	24	(369,119)	(369,119)
Other reserves	24	–	1,109
Currency translation reserve	24	8,190	16,043
Total equity		420,828	329,457

The notes on pages 98 to 137 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 5 March 2018 and were signed on its behalf by:


Wayne Sheppard
 Director


Kevin Sims
 Director

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve (see Note 24) £'000	Other reserves (see Note 24) £'000	Currency translation reserve (see Note 24) £'000	Total equity attributable to owners £'000
At 1 January 2017		4,063	–	677,361	(369,119)	1,109	16,043	329,457
Profit for the year		–	–	73,550	–	–	–	73,550
Other comprehensive income		–	–	56,094	–	–	(7,853)	48,241
Total comprehensive income for the year		–	–	129,644	–	–	(7,853)	121,791
Transactions with owners:								
Release of contingent consideration provision	24	–	–	1,109	–	(1,109)	–	–
Share based payments	25	–	–	1,279	–	–	–	1,279
Deferred tax on share based payment	21	–	–	354	–	–	–	354
Equity dividends paid	31	–	–	(32,098)	–	–	–	(32,098)
Issue of share capital	23	1	781	(737)	–	–	–	45
At 31 December 2017		4,064	781	776,912	(369,119)	–	8,190	420,828
At 1 January 2016		4,055	–	671,759	(369,119)	1,109	1,097	308,901
Profit for the year		–	–	90,363	–	–	–	90,363
Other comprehensive income		–	–	(58,712)	–	–	14,946	(43,766)
Total comprehensive income for the year		–	–	31,651	–	–	14,946	46,597
Transactions with owners:								
Share based payments	25	–	–	1,526	–	–	–	1,526
Deferred tax on share based payment	21	–	–	48	–	–	–	48
Equity dividends paid	31	–	–	(27,615)	–	–	–	(27,615)
Issue of share capital	23	8	–	(8)	–	–	–	–
At 31 December 2016		4,063	–	677,361	(369,119)	1,109	16,043	329,457

The notes on pages 98 to 137 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities			
Cash generated from operations	27	110,795	104,805
Interest paid		(3,705)	(4,588)
Tax paid		(13,226)	(6,957)
Net cash inflow from operating activities		93,864	93,260
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,829)	(59,151)
Purchase of intangible assets		(167)	(121)
Proceeds from sale of property, plant and equipment		508	1,759
Net cash outflow from investing activities		(37,488)	(57,513)
Cash flows from financing activities			
Dividends paid	31	(32,098)	(27,615)
Drawdown of borrowings		180,000	–
Repayment of borrowings		(215,000)	(15,000)
Debt issue costs		(2,424)	–
Net cash outflow from financing activities		(69,522)	(42,615)
Net decrease in cash and cash equivalents		(13,146)	(6,868)
Cash and cash equivalents at beginning of the year		45,829	51,024
Exchange(losses)/gains on cash and cash equivalents		(1,193)	1,673
Cash and cash equivalents at end of year		31,490	45,829

Reconciliation of changes in cash and cash equivalents to movement in net debt

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Net decrease in cash and cash equivalents	(13,146)	(6,868)
Proceeds from borrowings	(180,000)	–
Repayment of borrowings	215,000	15,000
Non-cash debt movement	(4,931)	2,155
Effect of foreign exchange rate changes	(1,193)	1,673
Movement in net debt	15,730	11,960
Net debt at start of year	(132,771)	(144,731)
Net debt at end of year	(117,041)	(132,771)
Comprising:		
Cash	31,490	45,829
Short-term borrowings	(551)	(13,044)
Long-term borrowings	(147,980)	(165,556)
	(117,041)	(132,771)

The notes on pages 98 to 137 form an integral part of these consolidated financial statements.

Notes to the Group 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 2017 were authorised for issue in accordance with a resolution of the Directors on 5 March 2018. The balance sheet was signed on behalf of the Board by W Sheppard and K Sims.

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

Basis of preparation

The consolidated financial statements of Ibstock plc for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

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

Basis of consolidation and acquisition accounting

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2017. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Details of all the subsidiaries of the Group are given in Note 28.

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 16 and 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Director's Report on 84 and 85. In addition, Note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result it believes its trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group the Board has concluded that the going concern basis of accounting of its financial statements is appropriate.

In addition, see the Group's Viability Statement set out on page 42.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, and a new credit loss model for calculating impairment to financial assets. The standard is effective for accounting periods beginning on or after 1 January 2018, which is the year ending 31 December 2018 for the Group. Based on the work carried out to date the Group does not expect any material changes to its financial statements as a result of the standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, which is the year ending 31 December 2018 for the Group. The Group has completed an assessment of the impact of IFRS 15 and determined that the standard will have no material impact on the Group's financial reporting.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 'Revenue from Contracts with Customers'. On adoption, the Group will recognise a right of use asset and a lease liability based on the net present value of the payments required under each of its leases. The operating lease charge, currently recognised in EBITDA, will be replaced by the depreciation of the right of use asset and interest on the lease liability. As well as a change to the line items in the income statement, it is also expected to change the profile of the net charge recognised in the income statement over the lease term.

The Group continues to assess the full impact of IFRS 16, however, the impact will depend on the facts and circumstances at the point of adoption and upon the transition choices adopted. The Group's current operating lease commitments are disclosed in Note 26.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and there are no current plans to early adopt any of the above-mentioned standards.

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in "Sterling" (£), which is the Group's presentation currency.

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. The Group does not currently undertake such hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance costs. All other foreign exchange gains and losses are presented in the income statement.

Borrowing costs

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

There were no borrowing costs capitalised during the year.

Property, plant and equipment

Property, plant and equipment is stated at the cost to the Group less depreciation. The cost of property, plant and equipment includes directly attributable costs.

Depreciation is provided on the cost of all other assets (except assets in the course of construction and land), so as to write off the cost, less residual value, on a straight-line basis over the expected useful economic life of the assets concerned, as follows:

Asset classification	Useful life
Land	Not depreciated
Freehold buildings	20–50 years
Plant, machinery and equipment	5–40 years
Mineral reserves	Amortised on a usage basis

Exploration expenditure relates to the initial search for mineral deposits with economic potential and is not capitalised. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential and in obtaining permissions to extract clay. Capitalisation of evaluation expenditure within 'Mineral reserves' commences when there is a high degree of confidence that the Group will determine that a project is commercially viable, i.e., the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Group.

Mineral reserves may be declared for an undeveloped project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalised during the period between declaration of reserves and approval to extract clay as further work is undertaken in order to refine the development case to maximise the project's returns.

Notes to the Group consolidated financial statements continued

1. Summary of significant accounting policies continued

The carrying values of capitalised evaluation expenditure are reviewed for impairment by management. Mineral reserves are amortised on a usage basis.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Separately acquired brands and non-contractual customer relationships are shown at historical cost. Brands and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands and customer relationships over their estimated useful lives as follows:

Asset classification	Useful life
Brands	10–50 years
Customer relationships	10–20 years

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

For further details see Note 12.

Impairment of non-financial assets

Assets that are subject to amortisation or depreciation such as brands and non-contractual customer relationships and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables and goods for resale are recognised on a weighted average cost basis, while work in progress and finished goods are held at direct cost and an appropriate proportion of production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Financial assets

Classification

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

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

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

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. No financial assets are held for trading other than derivatives.

Trade and other receivables

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

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

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

Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts (if any). In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. All other costs are expensed as incurred. Borrowings are subsequently carried at amortised cost.

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

Finance cost on borrowings is treated as an expense in the income statement, with the exception of interest costs incurred on the financing of major projects, which are capitalised within property, plant and equipment.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Employee benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Where defined benefit schemes have a surplus, the surplus is recognised if future economic benefits are available to the entity in the form of a reduction in the future contributions or a right to refund. See Note 2 for the judgement made regarding the application of IFRIC 14.

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

Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets, taking account of any changes in the defined benefit asset/liability during the period as a result of contributions and benefit payments. This cost is included in interest expense in the income statement.

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

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

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group recognises contributions payable to defined contribution plans in exchange for employee services in employee benefit expense.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The restoration provision is to fund future obligations at a number of sites that the Group is associated with and where the Group has any constructive obligation to restore once it has fully utilised the site. The restructuring provision covers current and former employees who have ceased working on grounds of ill health and is a liability payable to their normal retirement date. Other provisions relate to provisions for sites used for landfill and for onerous contracts to cover the exposure that the Group has for both current property leases where the rent being paid is significantly higher than the current market rents and also vacant properties. All of these provisions are discounted on an annual basis.

Provisions for dilapidations are recognised on a lease by lease basis and are based on the Group's best estimate of the likely committed cash outflows.

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

Notes to the Group consolidated financial statements continued

1. Summary of significant accounting policies continued

Revenue

Revenue represents the fair value of consideration receivable for goods supplied by the Group, exclusive of local sales tax and trade discounts and after eliminating sales within the Group. All of revenue is attributable to the principal activities of the Group being the manufacture and sale of concrete products, clay facing bricks and associated special shaped and fabricated clay products.

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

Customer rebates

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

Other income

Other income is attributable to rental income from properties, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Group.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project. Research and development costs capitalised are not material.

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and the expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the financial period, so as to assess better trends in financial performance. Further detail on exceptional items are given within Note 5.

The Directors believe that the use of Alternative Performance Measures ("APMs") provides useful information for shareholders. These measures are consistent with how the underlying business performance is measured internally. Detailed descriptions of APMs used throughout these financial statements are included within Note 3.

APMs used by the Group are generally not defined under IFRSs and may not be comparable with similarly titled measures reported by other companies.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except for tax relating to items recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have a material impact on the tax charge and profit for the year in which such a determination is made.

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

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

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

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities where these have been levied by the same tax authority on either the same taxable entity or different taxable entities within the Group where there is an intention to settle the balances on a net basis.

Operating leases

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

Dividend distribution

Dividend distributions to Ibstock plc shareholders are recognised in the Group's financial statements in the period in which the dividends are approved in general meeting, or when paid in the case of an interim dividend.

Assets held for sale

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

Share-based payments

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

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

At the end of each reporting year, 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 25.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

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

Estimates

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future period affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Mineral reserves

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

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

Mineral reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the consolidated financial statements. Estimates of mineral reserves are also used to calculate depreciation charges for the Group's mineral reserves. The impact of changes in minerals is dealt with prospectively by amortising the remaining carrying value of the asset over the expected future production. See Note 13 for details of the carrying value of the mineral reserves.

Defined benefit pension schemes – valuation of liabilities

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

The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. These assumptions are subject to periodic review.

Note 20 describes the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Judgements

The below judgements made by management in the process of applying the Group's accounting policies have the most significant effect on the amounts recorded in the financial statements.

Notes to the Group consolidated financial statements continued

2. Critical accounting judgements and estimates continued

Impairment of intangible and non-current assets

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

The Group did not record any impairment charges during the year ended 31 December 2017 as management's judgement, based on a rigorous assessment, was that there were no indicators of impairment.

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

Non-GAAP items

Exceptional items are disclosed separately in the financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. Management uses Adjusted EBITDA in its assessment of performance. Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. A full reconciliation is included at the foot of the Group statement of comprehensive income within the financial statements.

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with future periods and to assess trends in financial performance.

Exceptional items are disclosed in Note 5. The reconciliation of prior year statutory reported results for the year ended 31 December 2017 to the adjusted EBITDA referred to within this Annual Report and Accounts is included under the Comprehensive Statement of Comprehensive Income and described in Note 3.

Defined benefit pension schemes – surplus recognition

In accounting for defined benefit plans, management is required to make judgements in relation to the application of International Financial Reporting Interpretations Committee guidance IFRIC 14 and its applicability to Istock plc. This judgement concerns the Group's ability to recognise an actuarial surplus/notional surplus on the UK defined benefit pension scheme, should such a surplus/notional surplus arise in future. The Group has considered the application of this guidance, including proposed amendments to IFRIC14 published as an exposure draft in June 2015. In the current year, in continuing to apply IFRIC 14, management has ceased to recognise an additional liability in respect of the minimum funding obligation following the receipt of legal advice regarding the Group's ability to access a surplus (should one exist) in the pension scheme in the future. Further detail of the Group's pension schemes is included within Note 20.

3. Alternative performance measures

Alternative Performance Measures ("APMs") are disclosed within the 2017 Annual Report and Accounts 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. It is not intended that APMs are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

Exceptional items

The Group presents items as exceptional on the face of the income statement, those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance for the year, so as to facilitate comparison with future years and to assess trends in financial performance. Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA

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

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest net of taxation (at the Group's effective tax rate). A full reconciliation is provided in Note 11.

Net debt

Net debt is defined as the sum of cash and total borrowings at the balance sheet date. Net debt to EBITDA is the ratio of net debt to Adjusted EBITDA (as defined above).

Return on capital employed

Return on capital employed ("ROCE") is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension deficit/surplus). The average is calculated using the year end balance and corresponding preceding reported year end balance (year end or interim).

	2017 £'000	2016 £'000
Adjusted EBITDA	119,599	111,633
Less depreciation	(19,859)	(19,356)
Less amortisation	(6,476)	(6,555)
Adjusted earnings before taxation	93,264	85,722
Average net debt	138,481	147,001
Average equity	405,939	317,183
Average pension	(35,885)	33,651
Average capital employed	508,535	497,835
ROCE	18.3%	17.2%

Cash conversion

Cash conversion is the ratio of Adjusted EBITDA after movements in working capital less maintenance capital expenditure and share-based payments, to adjusted EBITDA. The calculation of the cash conversion ratio is set out within Table 1 of the Financial Review.

Constant currency

Constant currency measures are used in management's description of performance within the Strategic Report. Where used, constant currency figures translate all amounts for our US segment using the average US dollar rate for the year ended 31 December 2016 (£1:\$1.34574).

Cash flow before major projects

Cash flow before major capex is a key performance indicator of cash flow prior to capital expenditure on major projects. This represents adjusted EBITDA plus share-based payment costs less cash flow on maintenance capital expenditure and adjusted for changes in working capital. A reconciliation is provided on page 39 within the Financial Review.

Adjusted free cash flow

Adjusted free cash flow represents cash flow before major projects (defined above) less expenditure on major projects and cash outflows for taxation, net interest costs and post-employment benefits.

4. Segment reporting

As explained in Note 1, the management team considers the reportable segments to be the UK and the US. The key Group performance measure is Adjusted EBITDA, as detailed below, which is earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. Transactions between segments are carried out at arm's length. No aggregation of segments has been applied.

	Year ended 31 December 2017			
	UK £'000	US £'000	Unallocated £'000	Total £'000
Clay revenue	265,358	88,994	–	354,352
Concrete revenue	97,231	–	–	97,231
Total revenue from external customers	362,589	88,994	–	451,583
Adjusted EBITDA	110,508	11,701	(2,610)	119,599
Pension closure costs (see Note 5)	(211)	–	–	(211)
Release of provision for contingent consideration (see Note 5)	1,740	–	–	1,740
EBITDA after exceptional items	112,037	11,701	(2,610)	121,128
Depreciation and amortisation pre-fair value uplift	(12,449)	(4,272)	–	(16,721)
Incremental depreciation and amortisation following fair value uplift	(8,556)	(1,058)	–	(9,614)
Net finance costs	(9,022)	(2,345)	–	(11,367)
Profit/(loss) before tax	82,010	4,026	(2,610)	83,426
Total assets	638,689	106,154	–	744,843
Total liabilities	(279,558)	(44,457)	–	(324,015)
Non-current assets				
Intangible assets	105,619	10,391	–	116,010
Property, plant and equipment	351,338	49,142	–	400,480
Total	456,957	59,533	–	516,490

The unallocated segment balance includes the fair value of the Group's share-based payments and associated taxes of (£1.6 million), plc Board costs (£1.6 million) and legal expenses associated with the listed business (£0.4 million). These costs have been offset by the research and development taxation credits of (£1.8 million).

Notes to the Group consolidated financial statements continued

4. Segment reporting continued

	Year ended 31 December 2016			
	UK £'000	US £'000	Unallocated £'000	Total £'000
Clay revenue	253,592	90,539	–	344,131
Concrete revenue	90,556	–	–	90,556
Total revenue from external customers	344,148	90,539	–	434,687
Adjusted EBITDA	102,954	12,751	(4,072)	111,633
Pension closure costs (see Note 5)	28,678	–	–	28,678
Acquisition costs (see Note 5)	(102)	–	–	(102)
Exceptional cost of sales (see Note 5)	(353)	–	–	(353)
EBITDA after exceptional items	131,177	12,751	(4,072)	139,856
Depreciation and amortisation pre-fair value uplift	(12,401)	(4,055)	–	(16,456)
Incremental depreciation and amortisation following fair value uplift	(8,717)	(737)	–	(9,454)
Net finance costs	(3,183)	98	–	(3,085)
Profit/(loss) before tax	106,876	8,057	(4,072)	110,861
Total assets	579,431	125,655	–	705,086
Total liabilities	(341,650)	(33,979)	–	(375,629)
Non-current assets				
Intangible assets	111,810	11,476	–	123,286
Property, plant and equipment	337,843	54,460	–	392,303
Total	449,653	65,936	–	515,589

In the prior year, the unallocated segment balance includes the fair value of the Group's share-based payments and associated taxes of (£2.0 million), plc Board costs (£1.4 million) and legal expenses associated with the listed business (£0.5 million).

5. Exceptional items

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Exceptional costs of sales	–	(353)
Exceptional administrative expenses:		
<i>Pension closure costs</i>		
Legal and actuarial costs	(211)	(731)
Compensation payments	–	(908)
	(211)	(1,639)
Release of provision for contingent consideration	1,740	–
	1,740	–
<i>Acquisition costs</i>		
Transaction costs	–	(102)
	–	(102)
Total exceptional administrative expenses	1,529	(1,741)
Curtailment gain	–	30,317
	1,529	28,223
Exceptional finance income	–	522
Exceptional finance costs – acceleration of debt issue costs on September 2015 borrowings	(3,100)	–
Exceptional finance costs – reversing credit related to EIR accounting of September 2015 borrowings	(3,286)	3,286
	(6,386)	3,286
Total exceptional items	(4,857)	32,031

2017

Included within the current year are the following exceptional items:

Exceptional administration expenses

Pension closure costs which arose in the year ended 31 December 2017 represent residual professional advisor fees associated with the closure of the Group's UK defined benefit pension scheme, which took place in the year ended 31 December 2016.

The release of a provision for contingent consideration of £1,740,000 arose in the year following the disposal of all interests in the Group by Bain Capital LLC (see Note 29).

Exceptional finance costs

Exceptional finance costs arising in the current year resulted from the refinancing of the Group's loan in March 2017, representing £3,286,000 of accelerated loan deal fees and £3,100,000 of interest charges as a result of the effective interest method of accounting. Further detail of the Group's refinancing is provided in Note 18.

2016

Included within the prior year are the following exceptional items:

Exceptional cost of sales

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

Pension closure costs

Professional advisor fees of £731,000, together with employee compensation payments of £908,000 were incurred in the prior year in relation to the closure of the Group's UK defined benefit pension scheme. Due to the non-recurring nature of the closure, these costs were treated as exceptional. A curtailment gain of £30,317,000 also arose in 2016 as a result of the Group's decision to close the UK defined benefit scheme to future accrual.

Transaction costs

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

Exceptional finance income

Exceptional finance income in the year ended 31 December 2016 resulted from gains made on foreign currency contracts around the date of the UK's EU Referendum. Similar gains are not expected to recur.

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

Notes to the Group consolidated financial statements continued

5. Exceptional items continued

Tax on exceptional items

2017

The pension closure costs of £211,000 and the exceptional finance costs of £6,386,000 are tax deductible in full in the current year whilst the £1,740,000 release of contingent consideration is not taxable.

2016

Apart from the following items, exceptional items are taxable or deductible in full in the current year:

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

6. Operating profit

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating profit includes the effect of crediting/(charging):		
Changes in inventories of finished goods and work in progress	1,908	(2,574)
Raw material and consumables used	(80,606)	(74,661)
Employee benefit expense (Note 7)	(96,770)	(91,325)
Depreciation (Note 13)	(19,859)	(19,355)
Other production costs	(88,418)	(80,992)
Total cost of sales	(283,745)	(268,907)
Transportation expenses	(38,344)	(36,523)
Other employee benefit expenses (Note 7)	(31,316)	(32,245)
Amortisation (Note 12)	(6,476)	(6,555)
Profit on disposal of property, plant and equipment (Note 13)	144	625
Advertising costs	(2,179)	(2,642)
Operating lease payments	(7,163)	(6,920)
Operating lease income	631	583
Research and development costs	226	99
Exceptional administrative expenses (Note 5)	1,529	(1,741)
Exceptional curtailment gain (Note 5)	-	30,317

Auditor's remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor (2017: Deloitte, 2016: EY):

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Fees payable to the Company's auditor and its associates for the audit of Parent Company and Group consolidated financial statements:	94	60
Fees payable to the Company's auditor and its associates for other services to the Group:		
- Audit of the Company's subsidiaries	276	334
Total audit fees	370	394
- Audit-related assurance services	56	46
- Tax compliance services	-	18
- Tax advisory services	-	18
- Information technology services	-	40
Total non-audit fees	56	122

7. Employees and Directors

Staff costs for the Group during the year:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	104,043	97,675
Social security costs	15,440	13,228
Pensions costs – defined benefit plans (Note 20)	1,887	9,362
Pensions costs – defined contribution plans (Note 20)	5,437	1,779
Share based payments (Note 25)	1,279	1,526
	128,086	123,570

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

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

	Year ended 31 December 2017	Year ended 31 December 2016
Sales staff	313	325
Administrative staff	222	217
Production staff	2,092	2,141
	2,627	2,683

	Year ended 31 December 2017	Year ended 31 December 2016
Key management compensation		
Short-term employee benefits	3,363	2,522
Post-employment benefits	77	169
Share based payment	285	209
	3,725	2,900

Key management personnel has been defined as the Board of Ibstock plc, together with Directors of the Group's largest subsidiary. Details of remuneration for Ibstock plc Directors are presented in the Remuneration Report on pages 66 to 83. The aggregate remuneration for the purposes of the financial statements is £1,848,000 (year ended 31 December 2016: £1,466,000).

Notes to the Group consolidated financial statements continued

8. Finance costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest costs:		
Interest payable on September 2015 revolving credit facility	–	(16)
Interest payable on March 2017 revolving credit facility	(3,057)	–
Interest payable on September 2015 bank borrowings	(1,601)	(5,754)
Foreign exchange translations	–	127
Total interest payable on bank borrowings	(4,658)	(5,643)
Other interest payable	(152)	–
Interest expense on financial liabilities at amortised cost	(4,810)	(5,643)
Net interest costs arising on the UK pension scheme (Note 20)	(308)	–
Net interest costs arising on the US pension scheme	(437)	(39)
Unwinding of discount on provisions/changes in discount rate (Note 19)	(178)	(1,975)
Other interest payable	20	–
Exceptional finance (cost)/credit (Note 5)	(6,386)	3,286
Non-cash interest (payable)/receivable	(7,289)	1,272
Total finance costs	(12,099)	(4,371)

2017

Included within the current year are the following Finance costs:

A new bank borrowing facility was entered into in March 2017, as disclosed in Note 18 replacing the borrowings in place at 31 December 2016. This financial instrument is also classified as 'other financial liabilities' and held at amortised cost using the effective interest method. Accelerated deal fee costs of £3,100,000 associated with the extinguishment of the facilities entered into in September 2015 borrowings have been treated as exceptional in the year ended 31 December 2017.

During the year ended 31 December 2017, a cost of £3,286,000 was included within interest payable reversing the prior year non-cash credit which arose as a result of the lower interest rate payable.

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

2016

Included within the prior year are the following Finance costs:

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

During the year ended 31 December 2016, a credit of £3,286,000 was included within the interest payable as a result of the lower interest rate payable.

9. Finance income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest income:		
Foreign currency gains	732	–
Fair value gain on financial instrument (Note 5)	–	522
Net interest income arising on the UK pension scheme (Note 20)	–	764
	732	1,286

10. Taxation

Analysis of income tax charge

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax on profits for the year	12,088	17,958
Adjustments in respect of prior year	(264)	(266)
Total current tax	11,824	17,692
Deferred tax on profits for the year	4,372	5,584
Adjustment in respect of previously unrecognised tax losses	–	(185)
Impact of change in tax rate	(4,071)	(3,072)
Adjustments in respect of prior year	(2,249)	479
Total deferred tax (Note 21)	(1,948)	2,806
Income tax expense reported in the consolidated income statement	9,876	20,498

The total tax expense comprises:

UK	13,135	18,733
US	(3,259)	1,765
	9,876	20,498

Income tax recognised within the consolidated statement of comprehensive income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities:		
Current tax (credit)	–	(2,608)
Deferred tax charge/(credit)	12,857	(11,406)

Income tax recognised within the consolidated statement of changes in equity

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Deferred tax (credit) on share-based payments	(354)	(48)

Notes to the Group consolidated financial statements continued

10. Taxation continued

The tax expense for the year differs from the applicable standard rate of corporation tax in the UK of 19.25% for the year ended 31 December 2017 (2016: 20%). The differences are explained below:

	Year ended 31 December 2017 £'000	Percentage	Year ended 31 December 2016 £'000	Percentage
Profit before tax	83,426	100%	110,861	100%
Profit before tax multiplied by the rate of corporation tax in the UK	16,060	19.25%	22,172	20.00%
Effects of:				
Expenses not deductible	329	0.39%	698	0.63%
Different effective tax rate on US current period earnings	406	0.49%	652	0.59%
Change in estimates related to prior periods	(2,513)	(3.01%)	213	0.19%
Adjustment in respect of previously unrecognised tax losses	–	–	(185)	(0.17%)
Total tax charge before deferred tax rate change and exceptional items	14,282	17.12%	23,550	21.24%
Rate change on deferred tax provision – US	(4,042)	(4.85%)	–	–
Rate change on deferred tax provision – UK	(29)	(0.03%)	(3,072)	(2.77%)
Other income not taxable – exceptional items	(335)	(0.40%)	–	–
Other expenses not deductible – exceptional items	–	–	20	0.02%
Total taxation expense	9,876	11.84%	20,498	18.49%

The enactment of the US Tax Cuts and Jobs Act on 22 December 2017 has resulted in a £4,042,000 reduction in the Group's US deferred tax assets and liabilities. This deferred tax benefit is reflected in the tax expense reported for the year as shown above.

The tax expense for the year includes a credit of £2,113,000 relating to UK tax relief claimed but not previously recognised in respect of IPO transaction costs incurred in 2015.

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

There are no income tax consequences for the Company in respect of dividends declared prior to the date of authorisation of these financial statements and for which a liability has not been recognised.

The Group expects its effective tax rate in the future to be affected by the geographical mix of profits and the different tax rates that will apply to those profits, the outcome of any future tax audits as well as the impact of changes in tax law.

The reduction in the standard rate of corporation tax in the UK from 20% to 19% came into force with effect from 1 April 2017. The further rate reduction to 17% from 1 April 2020 was substantively enacted in Finance Act 2016 on 6 September 2016. The impact of these tax rate changes are reflected in these financial statements.

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 2017 '000s	Year ended 31 December 2016 '000s
Basic weighted average number of shares	406,361	406,025
Effect of share incentive awards and options	2,321	2,671
Diluted weighted average number of shares	408,682	408,696

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

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. All adjustments are made net of the associated taxation impact at the Group's Effective Tax Rate.

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

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit for the year attributable to the parent shareholders		73,550	90,363
Add back exceptional items		4,857	(28,745)
Add back tax expense/(credit) on exceptional items		(575)	5,303
Add fair value adjustments	4	9,614	9,454
Less tax credit on fair value adjustments		(1,138)	(1,744)
Less net non-cash interest		903	(1,447)
Add back tax credit on non-cash interest		(107)	268
Adjusted profit for the year attributable to the parent shareholders		87,104	73,452

	Year ended 31 December 2017 pence	Year ended 31 December 2016 pence
Basic EPS on profit for the year	18.1	22.3
Diluted EPS on profit for the year	18.0	22.1
Adjusted basic EPS on profit for the year	21.4	18.1
Adjusted diluted EPS on profit for the year	21.3	18.0

Notes to the Group consolidated financial statements continued

12. Intangible assets

	Customer contracts and relationships £'000	Brands £'000	Total £'000
<i>Cost</i>			
At 1 January 2016	87,600	45,642	133,242
Additions	121	–	121
Exchange movements	–	1,917	1,917
At 31 December 2016	87,721	47,559	135,280
Additions	167	–	167
Exchange movements	(11)	(992)	(1,003)
At 31 December 2017	87,877	46,567	134,444
<i>Accumulated amortisation and impairment</i>			
At 1 January 2016	(4,505)	(934)	(5,439)
Charge for the year	(5,440)	(1,115)	(6,555)
At 31 December 2016	(9,945)	(2,049)	(11,994)
Charge for the year	(5,321)	(1,155)	(6,476)
Exchange movements	–	36	36
At 31 December 2017	(15,266)	(3,168)	(18,434)
<i>Net book amount</i>			
At 31 December 2016	77,776	45,510	123,286
At 31 December 2017	72,611	43,399	116,010

Amortisation is included in administrative expenses in the income statement.

The remaining amortisation period of customers relationships is eight to 18 years. The remaining amortisation period of brands is outlined below:

	Net book value at 31 December 2017 £'000	Remaining amortisation period Years
<i>Brands</i>		
Ibstock Brick	30,185	47.20
Forticrete	572	7.20
Supreme	2,433	12.20
Glen-Gery	10,209	47.20
	43,399	

13. Property, plant and equipment

	Land and buildings £'000	Mineral reserves £'000	Plant, machinery and equipment £'000	Assets in the course of construction £'000	Total £'000
<i>Cost</i>					
At 1 January 2016	177,415	73,101	99,120	6,660	356,296
Additions	2,898	143	10,570	44,075	57,686
Transfer to assets held for sale	(1,150)	–	(53)	–	(1,203)
Disposals	(1,080)	–	(1,628)	–	(2,708)
Exchange movements	4,488	680	4,884	85	10,137
At 31 December 2016	182,571	73,924	112,893	50,820	420,208
Additions	3,747	61	12,973	19,696	36,477
Transfer to assets held for sale	(2,850)	(800)	–	–	(3,650)
Transfer to assets in the course of construction	–	–	8,927	(8,927)	–
Disposals	(127)	(402)	(927)	–	(1,456)
Exchange movements	(2,338)	(348)	(2,514)	(135)	(5,335)
At 31 December 2017	181,003	72,435	131,352	61,454	446,244
<i>Accumulated depreciation</i>					
At 1 January 2016	(4,047)	(2,273)	(3,091)	–	(9,411)
Charge for the year	(6,900)	(3,304)	(9,151)	–	(19,355)
Disposals	32	–	1,560	–	1,592
Exchange movements	(104)	(22)	(605)	–	(731)
At 31 December 2016	(11,019)	(5,599)	(11,287)	–	(27,905)
Charge for the year	(6,620)	(3,261)	(9,978)	–	(19,859)
Disposals	123	52	917	–	1,092
Exchange movements	120	17	771	–	908
At 31 December 2017	(17,396)	(8,791)	(19,577)	–	(45,764)
<i>Net book amount</i>					
At 31 December 2016	171,552	68,325	101,606	50,820	392,303
At 31 December 2017	163,607	63,644	111,775	61,454	400,480

A profit on disposal of property, plant and equipment of £144,000 has been recognised in the year ended 31 December 2017 (year ended 31 December 2016: profit on disposal of £625,000).

There are no assets which are used as security.

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

Notes to the Group consolidated financial statements continued

14. Inventories

	31 December 2017 £'000	31 December 2016 £'000
Raw materials	22,824	21,574
Work in progress	3,082	2,785
Finished goods	65,212	64,398
	91,118	88,757

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

At 31 December 2017, a provision of £2,088,000 (31 December 2016: £2,511,000) is held against the inventory balance.

15. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
Trade receivables	49,006	48,094
Provision for impairment of receivables	(581)	(613)
Net trade receivables	48,425	47,481
Prepayments and accrued income	3,419	3,538
Other receivables	1,572	1,129
Total trade and other receivables	53,416	52,148

There are no material differences between the fair values and book values stated above.

16. Assets held for sale

	31 December 2017 £'000	31 December 2016 £'000
Assets classified as held for sale as of the beginning of the year	1,203	–
Additions	3,650	1,203
Disposals	–	–
Assets classified as held for sale as of the end of the year	4,853	1,203

As of 31 December 2017, the Group's properties in Stourbridge, Severn Valley, Keele and Kingsley were categorised as held for sale. The Group recognised these assets as surplus to its ongoing requirements and for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. The assets are within the UK Segment.

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

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

17. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
Trade payables	42,716	42,048
Contingent consideration	2,260	4,000
Other tax and social security payable	10,203	4,982
Accruals and other payables	30,163	29,190
	85,342	80,220

There are no material differences between the fair values and book values stated above. Of the amount included in accruals and other payables above are other creditors due to unwind in more than one year of £523,000 (31 December 2016: £nil).

Contingent consideration of £2,260,000 (2016: £4,000,000) relates to potential future obligations for payments to the vendor of the acquisition of the trading businesses completed in February 2015. As part of the Tax deed within the Share sale agreement ("SSA"), the Group was committed to make a payment to the vendor of half of any tax relief, over a contracted amount, received by the acquired business as a result of the Group's one-off pension payment. The amount was payable to the vendor during the period whilst the acquired entities remained under ownership of the original purchaser greater than 20%. The fair value of the future obligation was estimated at £4,000,000, with a range being nil to £4,000,000.

During the year ended 31 December 2017, the original purchaser ceased to hold any shares within the acquired entities (see Note 29 for details). Consequently, an amount of £1,740,000 has been released from the amount originally provided as contingent consideration.

18. Borrowings

	31 December 2017 £'000	31 December 2016 £'000
Current		
September 2015 bank borrowings	–	13,044
March 2017 revolving credit facility	551	–
	551	13,044
Non-current		
September 2015 revolving credit facility	–	165,556
March 2017 bank borrowings	147,980	–
	147,980	165,556
Total borrowings	148,531	178,600

As at 31 December 2017

In March 2017, the Group entered into a new £250 million Revolving Credit Facility ("RCF"). The facility has no fixed repayment terms during its five-year term. The Group must comply with covenant requirements relating to interest cover (4x) and leverage (3x) and report to the banks on a six-monthly basis. The RCF attracts interest of between 1% and 2.25% plus LIBOR depending upon the leverage ratio. During the year, amounts between £150 million and £180 million have been drawn on facility.

The Group has an overdraft facility of £10 million as part of the Group's cash pooling arrangements.

As at 31 December 2016

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

Bank borrowings at 31 December 2016

A five-year £200 million facility was entered into in September 2015 and first drawn in October with mandatory repayments of £15 million due on the 1st, 2nd, 3rd and 4th anniversary dates subject to the Group's right to elect not to make one of the repayment instalments due during the term of the loan. The borrowings attracted interest of between 1.25% and 2.50% depending on leverage ratio (defined as consolidated total net debt as a proportion of consolidated EBITDA) plus LIBOR (or EURIBOR for any loan in Euro) per annum, payable either three or six monthly at the option of the Group. A commitment fee is payable on the undrawn element of the facility based on 35% of applicable margin. This was repaid in March 2017.

Revolving credit facility ("RCF") at 31 December 2016

A new RCF for £40 million over five years was entered into in September 2015. The borrowings attract interest of between 1.25% and 2.50% depending on leverage ratio (defined as above) plus LIBOR (or EURIBOR for any loan in Euro) per annum, payable either one, three or six monthly at the option of the Group. In the current year, the RCF was drawn on five occasions for values ranging from £2,975,000 to £7,075,000. At 31 December 2016, the full facility was undrawn. This facility was cancelled in March 2017.

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.

Notes to the Group consolidated financial statements continued

19. Provisions

	31 December 2017 £'000	31 December 2016 £'000
Restoration (i)	4,839	5,160
Dilapidations (ii)	5,809	8,414
Other (iii)	322	1,058
	10,970	14,632
Current	350	462
Non-current	10,820	14,170
	10,970	14,632

	Restoration (i) £'000	Dilapidations (ii) £'000	Other (iii) £'000	Total £'000
At 1 January 2017	5,160	8,414	1,058	14,632
Utilised	(13)	–	(42)	(55)
Credited to income statement	(266)	(2,755)	(670)	(3,691)
Unwind of discount/change in rate	21	157	–	178
Translation adjustment	(63)	(7)	(24)	(94)
At 31 December 2017	4,839	5,809	322	10,970

The current expected timeframe of provision requirements is as follows:

	Restoration (i) £'000	Dilapidations (ii) £'000
Within one year	215	93
Between two to five years	434	1,373
Between five to 10 years	107	2,123
Between 10 to 20 years	241	1,637
Over 20 years	3,842	583
	4,839	5,809

- (i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Estimates are updated annually based on the total estimated available reserves and the expected extraction rates. Whilst a significant element of the total provision will reverse in the medium term (two to 10 years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a 30-year timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life.
- (ii) Provisions for dilapidations, which arose as contingent liabilities recognised upon the business combination in the prior year, are recognised on a lease by lease basis and are based on the Group's best estimate of the likely contractual cash outflows, which are estimated to occur over the lease term.
- (iii) Other provisions relate to provisions for the Restructuring, Supplemental Executive Retirement Plan ("SERP"), product warranties, landfill and onerous contracts. The restructuring provision covers current and former employees who have ceased working on grounds of ill health and is a liability payable to their normal retirement date. The SERP is a defined contribution retirement plan in respect of basic salary entitlements for Executive Directors. The product warranties are based on the estimate of the cost of fulfilling customer warranty claims. The estimate is derived principally from historical data appropriately adjusted for specific risk factors. Under the Group's standard sales terms, the Group repairs or replaces items that fail to perform satisfactorily for one year from the date of delivery to the customer. It is expected that most of this expenditure will be incurred within one year of the balance sheet date. The landfill provision relates to the restoration of the associated sites and environmental remediation required by legislation. The onerous contract provision provides cover for the exposure that the Group has for both current property leases where the rent being paid is significantly higher than the current market rents and vacant properties at acquisition. Overall these provisions are not deemed material.

The Group holds insurance performance bonds with Liberty Mutual Insurance Company in respect of the Group's maintenance and remediation obligations in respect of sites from which materials are being extracted. The bonds are typically in favour of the Department of Environmental Protection within the relevant jurisdictions. At 31 December 2017 the value of the bonds amounted to £1,674,000 (31 December 2016: £1,538,000). The maximum term on the bonds outstanding at that date is July 2018. The bonds are typically renewed on an annual basis at comparable levels.

20. Post-employment benefit obligations

(a) Defined benefit plan

Analysis of movements in the net obligation during the year:

	31 December 2017 £'000	31 December 2016 £'000
Funded plan at 31 December		
Opening balance	(28,685)	331
Income within labour costs and operating profit	(1,887)	(9,362)
Curtailment gain	–	30,317
Interest (income)/expense	(308)	764
Remeasurement gain/(loss) recognised in the statement of comprehensive income	54,728	(66,896)
Pension scheme surplus restriction recognised in the statement of comprehensive income	14,223	(5,877)
Contributions	7,993	22,038
Carried forward at 31 December	46,064	(28,685)

The Group participates in the Ibstock Pension Scheme (the "Scheme"), a defined benefit pension scheme in the UK. The Scheme has four participating employers – Ibstock Brick Limited, Forticrete Limited, Anderton Concrete Products Limited, Figgs Bidco Limited (from 26 February 2015) and Tyrone Brick Limited (up to 26 February 2015). The Scheme is funded by payment of contributions to a separate trustee administered fund. The scheme is a revalued earnings plan and provides benefits to its members based on their length of membership in the scheme and their average salary over that period. Following consultation with members, accounting for the scheme's closure to future accrual occurred in the year ended 31 December 2016. As a result, benefits were reassessed as active members were transferred to deferred membership.

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

Total annual contributions to the Scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities in respect of service up to the balance sheet date. The Scheme is subject to independent actuarial valuation at least every three years using the projected unit method.

The valuation used as at 31 December 2017 has been based on the results of the 30 November 2014 valuation, as updated for changes in demographic assumptions, as appropriate. The next valuation will be based on the results as at 30 November 2017, which is currently underway.

Through its defined benefit pension plan, the Group is exposed to a number of risks that are inherent in such plans and arrangements. There are, however, no unusual, entity-specific or plan-specific risks, and no significant concentrations of risk. The risks can be summarised as follows:

- asset value volatility, with the associated impact on the assets held in connection with the funding of pension obligations and the related cash flows;
- changes in bond yields, with any reduction resulting in an increase in the present value of pension obligations, mitigated by an increase in the value of plan assets;
- risk of volatility in inflation rates as pension obligations are generally linked to inflation; and
- life expectancy, as pension benefits are provided for the life of beneficiaries and their dependents.

Notes to the Group consolidated financial statements continued

20. Post-employment benefit obligations continued

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

Balance sheet assets/(obligations):

	31 December 2017 £'000	31 December 2016 £'000
Equities	169,780	275,151
Bonds	223,636	159,933
Properties	25,057	24,221
Liability driven investment	219,109	220,535
Cash	21,846	3,731
Total market value of assets	659,428	683,571
Present value of scheme liabilities	(613,364)	(698,033)
Net scheme (liability)/asset	46,064	(14,462)
Pension scheme surplus restriction	-	(14,223)
Post-employment benefit (liability)/asset after surplus restriction	46,064	(28,685)
Other pension commitments (Note 20(b))	(8,735)	(9,389)
Net post-employment benefit surplus/(obligation)	37,329	(38,074)

All equities and bonds have a quoted market price in an active market. Properties and cash and cash equivalents are quoted. Liability Driven Investments ("LDI") are funds constructed to reduce the risk within the scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. The Scheme's LDI fund is managed by BMO, is predominantly unquoted and is set up as a 'bespoke pooled fund' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the scheme's other assets and cash flows. To reduce volatility risk, an LDI strategy forms part of the Trustees' management of the scheme assets, comprising UK gilts, repurchase agreements and derivatives. At 31 December 2017, the LDI held assets valued at £409,639,000 and liabilities of £190,132,000. The liabilities comprised repurchase agreements, which are entered into to better offset the schemes exposure to interest and inflation rate, whilst remaining invested in assets of a similar risk profile.

The amounts recognised in the income statement are:

	31 December 2017 £'000	31 December 2016 £'000
Current service cost	895	8,654
Administrative expenses	992	708
Multi-employer scheme	267	243
Curtailment gain on closure of scheme	-	(30,317)
Defined contribution scheme costs	5,170	1,536
Charge/(income) within labour costs and operating profit	7,324	(19,176)
Interest (income)/expense	308	(764)
Total charge/(income) to the income statement	7,632	(19,940)

Remeasurements recognised in the statement of comprehensive income:

	31 December 2017 £'000	31 December 2016 £'000
Remeasurement gain on defined benefit scheme assets	53,553	101,960
Remeasurement (loss) from changes in financial assumptions	(24,231)	(153,201)
Remeasurement (loss)/gain from changes in demographic assumptions	12,315	(15,845)
Experience adjustments	13,091	190
Other comprehensive income	54,728	(66,896)

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

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

	31 December 2017 £'000	31 December 2016 £'000
Present value of defined benefit obligation at beginning of the year	(698,033)	(550,518)
Current service cost	(895)	(8,654)
Interest cost	(18,120)	(20,467)
Curtailment gain on closure of scheme	–	30,317
Contributions by scheme participants	(11)	(69)
Experience losses	13,091	190
Benefits paid	102,502	19,996
Remeasurement loss arising from change in financial assumptions	(24,231)	(153,201)
Remeasurement gains/(loss) arising from change in demographic assumptions	12,315	(15,845)
Insurance premium for risk benefits	18	218
Present value of defined benefit obligations carried forward at 31 December	(613,364)	(698,033)

The closure of the scheme to future accrual has resulted in a curtailment gain of £30,317,000 resulting from revisions to the measurement of future obligations, which was recognised in the year ended 31 December 2016 and treated as an exceptional item (See Note 5).

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

	31 December 2017 £'000	31 December 2016 £'000
Asset ceiling restriction at beginning of the year	(14,223)	(8,037)
Interest cost on the adjustment	–	(309)
Change in adjustment excluding interest	14,223	(5,877)
Asset ceiling restriction at end of the year	–	(14,223)

This scheme has a surplus that is recognised on the basis that the Directors believed following the receipt of legal advice, that future economic benefits would be ultimately available to the Group in the form of a reduction in the future contributions or a cash refund. See Note 2 for further details of the judgement taken.

Notes to the Group consolidated financial statements continued

20. Post-employment benefit obligations continued

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

	31 December 2017 £'000	31 December 2016 £'000
Fair value of pension scheme assets at beginning of the year	683,571	558,886
Interest income	17,812	21,540
Remeasurement gain on pension scheme assets	53,553	101,960
Employer contributions	7,993	22,038
Contributions by scheme participants	11	69
Benefits paid	(102,502)	(19,996)
Administrative expenses	(992)	(708)
Insurance premium for risk benefits	(18)	(218)
Fair value of pension scheme assets carried forward	659,428	683,571

Plan assets are comprised as follows:

	31 December 2017			
	Quoted £'000	Unquoted £'000	Total £'000	Percentage
Equity instruments	169,780	–	169,780	
– UK equities	23,408	–	23,408	4%
– Overseas equities	115,787	–	115,787	18%
– Emerging market equities	30,585	–	30,585	5%
Debt instruments	223,636	–	223,636	
– UK corporate bonds	223,636	–	223,636	34%
– Index linked gilts	–	–	–	0%
Property				
– Property	25,057	–	25,057	4%
Liability driven investment	–	219,109	219,109	33%
Cash and net current assets	21,846	–	21,846	3%
Total	440,319	219,109	659,428	100%

	31 December 2016			Percentage
	Quoted £'000	Unquoted £'000	Total £'000	
Equity instruments	275,151	–	275,151	
– UK equities	73,449	–	73,449	11%
– Overseas equities	150,570	–	150,570	22%
– Emerging market equities	51,132	–	51,132	7%
Debt instruments	159,933	–	159,933	
– UK corporate bonds	159,933	–	159,933	23%
– Index linked gilts	–	–	–	0%
Property				
– Property	24,221	–	24,221	4%
Liability driven investment	–	220,535	220,535	32%
Cash and net current assets	3,731	–	3,731	1%
Total	463,036	220,535	683,571	100%

The Group contributed 16.0% of pensionable salaries to the Scheme during the year reported up to the date at which active members ceased to accrue benefits (1 February 2017). Based on the most recent valuation, a payment schedule was agreed with the Trustees of the Ibstock Pension Scheme so that the schemes deficit can be eliminated. This included the Group contributing 16% of pensionable salaries to the scheme in the year ended 31 December 2016 and up to 1 February 2017, which is no longer required following the closure of the scheme to future accrual. Additionally, a further £7,000,000 per annum is payable under the schedule of contributions until May 2021. This schedule of contributions is revised at the time of each funding valuation. As noted above, a funding valuation as at 30 November 2017 is currently underway. The weighted average duration of the defined benefit obligation is 20 years (2016: 20 years). In the year ended 31 December 2017, other costs related to the closure of the scheme to future accrual of £211,000 (2016: £1,639,000) were incurred and classified as exceptional (see Note 5).

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

	31 December 2017 Per annum	31 December 2016 Per annum
Discount rate	2.45%	2.80%
RPI inflation	3.15%	3.35%
CPI inflation	2.15%	2.35%
Rate of increase in salary	n/a	n/a
Rate of increase in pensions in payment	3.65%	3.75%
Commutation factor	15.52	15.52
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	22.60 years	22.70 years
For a female currently aged 65	25.00 years	25.30 years
For a male currently aged 40	24.50 years	25.10 years
For a female currently aged 40	26.90 years	27.80 years

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e., 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in Sterling and have a maturity of some 20 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2016 would decrease/increase by approximately 5%.

Notes to the Group consolidated financial statements continued

20. Post-employment benefit obligations continued

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

	31 December 2017 £'000	31 December 2016 £'000
0.25% increase in discount rate	28,302	35,707
0.25% decrease in discount rate	(30,348)	(36,442)
0.25% increase in salary growth rate	-	-
0.25% decrease in salary growth rate	-	-
0.25% increase in pension growth rate	(19,725)	(24,135)
0.25% decrease in pension growth rate	18,696	22,851
0.25% increase in inflation rate	19,551	23,914
0.25% decrease in inflation rate	(17,897)	(28,353)
One year increase in life expectancy	(28,864)	(30,984)
One year decrease in life expectancy	28,545	30,744

(b) Multi-employer scheme

The Group participates in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union ("AB&GW") and National Integrated Group Pension Plan ("NIGPP"), which are both held in the United States. As the Group is unable to identify its share of the assets and liabilities for these schemes as insufficient information is available on which to calculate this split (as confirmed with the schemes actuaries), they are accounted for on a defined contribution basis. The charge for the year to December 2017 is £267,000 (year ended 31 December 2016: £243,000). The Group is not liable for any other contributing entities within either scheme. For exit from the schemes by the Group at the most recent actuarial valuation, it was estimated that the withdrawal liability for the schemes equalled £15,527,000 (2016: £18,346,000) and £2,171,000 (2016: £1,836,000) for the AB&GW and NIGPP, respectively, although management currently do not have any plans on withdrawing from either scheme.

The minimum contribution requirements for the AB&GW scheme are based on a minimum monthly charge per active employee, with the minimum contribution requirements for the NIGPP scheme being based on a minimum charge per hour worked. The expected contributions to the plan for the next annual reporting year, being the year ending December 2018, is £381,000. In respect of the AB&GW scheme, based on the total contributions made in 2017 to the multi-employer schemes, the level of participation the Group made compared to other participating entities was 85% and the Group has circa 70% of all members (active, deferred and retired). In respect of the NIGPP scheme, based on the proportion of the withdrawal liability against total plan liabilities, the level of participation the Group made compared to other participating entities was less than 1%.

In total, the AB&GW plan has a deficit as at 31 December 2017 of £18,189,000 (2016: £21,284,000). The contribution rates agreed to be paid by the Group include an element of rehabilitation funding with respect to the total plan deficit. For this scheme, the arrangements gives rise to a present obligation and as such a liability has been recognised of £8,735,000 (2016: £9,389,000) for future committed contribution amounts as at 31 December 2017, with an associated recognised deferred tax asset of £2,292,000 (2016: £3,727,000). This has been calculated by discounting the future cash flows, which accrete at 7% per annum in line with the rehabilitation funding plan as set by the scheme Trustees, at a rate commensurate with the time value of money using a 20-year US treasury rate (2.58%) given the duration of the rehabilitation funding plan runs to 2034. This calculation is based on management's estimated number of employees in future years. The movement in the current year is primarily driven by the movement in the Sterling: Dollar exchange rate. The Trustees meet annually to reassess the funding contribution increase – this has been set at the 7% rate since 2012. Based on the contribution rates and total withdrawal liability for the NIGPP plan, management has determined any present obligation arising from the plan is immaterial.

(c) Defined contribution plan

The Group operates defined contribution schemes under the Ibstock pension scheme, the Supreme Concrete Limited pension scheme, the Anderton Concrete pension scheme and the Supreme Concrete Group Personal Plan. Contributions by both employees and Group companies are held in externally invested, externally-administered funds.

The Group contributes a specified percentage of earnings for members of the above defined contribution schemes, and thereafter has no further obligations in relation to the scheme. The total cost charged to income in relation to the defined contribution scheme in the year was £5,170,000 (year ended 31 December 2016: £1,536,000).

21. Deferred tax assets/liabilities

The movement on the deferred tax account is shown below:

	31 December 2017 £'000	31 December 2016 £'000
Net deferred tax liability at beginning of the year	(55,445)	(62,269)
Differences on exchange	710	(1,824)
Tax credited/(charged) to the consolidated income statement	1,948	(2,806)
Tax recognised within other comprehensive income	(12,857)	11,406
Tax credited directly to equity	354	48
Net deferred tax liability at year end	(65,290)	(55,445)
Presented in the consolidated balance sheet after offset as:		
Deferred tax assets	1,412	1,560
Deferred tax liabilities	(66,702)	(57,005)
	(65,290)	(55,445)
Deferred tax assets	11,689	22,302
Deferred tax liabilities	(76,979)	(77,747)
Net deferred tax liability at the year end	(65,290)	(55,445)
Deferred tax assets expected to unwind within one year	3,192	3,848
Deferred tax assets expected to unwind after one year	8,497	18,454
	11,689	22,302
Deferred tax liabilities expected to unwind within one year	(2,024)	(2,677)
Deferred tax liabilities expected to unwind after one year	(74,955)	(75,070)
	(76,979)	(77,747)

Notes to the Group consolidated financial statements continued

21. Deferred tax assets/liabilities continued

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

	Year ended 31 December 2017					As at 31 December 2017		
	Net balance at 1 January 2017 £'000	Differences on exchange £'000	Recognised in income statement £'000	Recognised in OCI £'000	Recognised directly in equity £'000	Net £'000	Deferred tax assets £'000	Deferred tax liabilities £'000
Intangible fixed asset	(23,925)	314	2,713	-	-	(20,898)	-	(20,898)
Tangible fixed assets	(50,364)	885	4,449	-	-	(45,030)	75	(45,105)
Land revaluation	(1,360)	96	442	-	-	(822)	-	(822)
Rolled over and held over capital gains	(1,836)	-	504	-	-	(1,332)	-	(1,332)
Employee pension liabilities	9,076	(265)	(2,414)	(12,857)	-	(6,460)	2,292	(8,752)
Pension contribution spreading	6,069	-	(3,054)	-	-	3,015	3,015	-
Provisions	4,630	(140)	(1,230)	-	-	3,260	3,260	-
Share incentive plans	319	-	238	-	354	911	911	-
Tax losses	2,051	(189)	274	-	-	2,136	2,136	-
Other temporary differences	(105)	9	26	-	-	(70)	-	(70)
Deferred tax assets/(liabilities) before offsetting	(55,445)	710	1,948	(12,857)	354	(65,290)	11,689	(76,979)
Offset of balances within the same tax jurisdiction							(10,277)	10,277
Net deferred tax assets/(liabilities)							1,412	(66,702)

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

The enactment of the US Tax Cuts and Jobs Act on 22 December 2017 has resulted in a £4,042,000 reduction in the Group's US deferred tax assets and liabilities. A deferred tax credit of £4,042,000 has been recognised in the income statement.

There are no unrecognised deferred tax assets or liabilities as at 31 December 2017. In the prior year, a deferred tax asset of £2,113,000 in respect of tax losses and tax depreciation was not recognised.

In the prior year, deferred tax assets were disclosed as current assets. Deferred tax assets have been reclassified as non-current assets.

22. Financial instruments – risk management

Financial assets

	Loans and receivables	
	31 December 2017 £'000	31 December 2016 £'000
Trade and other receivables (Note 15)	50,415	48,986
Cash and cash equivalents	31,490	45,829
Total	81,905	94,815

Financial liabilities

	Loans and payables	
	31 December 2017 £'000	31 December 2016 £'000
Trade and other payables (Note 17)	75,139	75,238
Borrowings (Note 18)	148,531	178,600
Total	223,670	253,838

All financial assets are classified as loans and receivables.

Credit risk

Credit risk arises from cash and cash equivalents, credit sales and deposits with banks and is managed on a Group basis. This risk arises from transactions with banks, such as those involving cash and cash equivalents and deposits. To reduce the credit risk, the Group has concentrated its main activities with a Group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has significant sales contracts with a number of 'blue-chip' companies and accordingly the Directors believe there is a limited exposure to credit risk, but this is actively monitored at Board level. The Group's policy on credit risk requires appropriate credit checks on potential customers before sales commence.

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

	31 December 2017 £'000	31 December 2016 £'000
Not past due	33,222	36,395
Less than one month past due	12,877	9,657
One to six months past due	2,167	1,376
Six to 12 months past due	215	53
More than 12 months past due	(56)	–
	48,425	47,481

Other receivables are due to be received within the next 12 months.

Notes to the Group consolidated financial statements continued

22. Financial instruments – risk management continued

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

	31 December 2017 £'000	31 December 2016 £'000
Less than one month past due	–	21
One to six months past due	374	337
Six to 12 months past due	137	189
More than 12 months past due	70	66
	581	613

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

	31 December 2017 £'000	31 December 2016 £'000
Opening balance	(613)	(654)
Charged to the income statement	(66)	7
Utilised	33	2
Released	46	74
Exchange movements	19	(42)
Closing impairment provision	(581)	(613)

Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk. In the post acquisition period the Group's interest rate risk arises principally from the revolving credit facility and bank borrowings which attract floating rate interest, see Note 18. The Group manages its interest rate risk by using a floating rate debt with varying repayment terms. The Group also does not trade in derivative financial instruments and so is not considered to be exposed to other price risk. The exposure to currency risk is considered low.

The exposure in different currency of financial assets and liabilities is as follows:

At 31 December 2017	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
Financial assets				
Cash and cash equivalents	24,849	3,068	3,573	31,490
Trade and other receivables (Note 15)	40,869	8,292	1,254	50,415
	65,718	11,360	4,827	81,905
Financial liabilities				
Borrowings (Note 18)	(148,531)	–	–	(148,531)
Trade and other payables (Note 17)	(65,776)	(6,821)	(2,542)	(75,139)
	(214,307)	(6,821)	(2,542)	(223,670)

At 31 December 2016	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
Financial assets				
Cash and cash equivalents	32,926	12,799	104	45,829
Trade and other receivables (Note 15)	36,330	12,105	551	48,986
	69,256	24,904	655	94,815
Financial liabilities				
Borrowings (Note 18)	(178,600)	–	–	(178,600)
Trade and other payables (Note 17)	(62,382)	(9,918)	(2,938)	(75,238)
	(240,982)	(9,918)	(2,938)	(253,838)

There are no material differences between the fair values and the book values stated above.

The Group has negligible risk to currency fluctuations as the majority of assets and liabilities are held in the same functional currency.

Liquidity risk

The Group has generated sufficient cash from operations to meet its working capital requirements and finance its investing activities. The Group manages liquidity risk by entering into committed bank borrowing facilities to ensure the Group has sufficient funds available, and monitoring cash flow forecasts to ensure the Group has adequate borrowing facilities.

The maturity of the Group's borrowings is as follows:

	Less than six months £'000	Six months to one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
At 31 December 2017					
Borrowings:					
Bank borrowings	551	–	147,980	–	148,531
Total	551	–	147,980	–	148,531
At 31 December 2016					
Borrowings:					
Bank borrowings	–	13,044	165,556	–	178,600
Total	–	13,044	165,556	–	178,600

At 31 December 2017, the Group had an RCF facility of £250 million over five years. The facility was utilised throughout the year ended 31 December 2017, resulting in an interest charge of £3,057,000.

At 31 December 2016, the Group has an RCF facility of £40 million over five years that was entered into in September 2015. During the year ending 31 December 2016, the RCF was drawn on five occasions for values from £2,975,000 to £7,075,000, resulting in an interest charge of £16,000 in the year. See Note 18 for further details.

For details of the maturity of other financial liabilities, see note 17.

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

	Less than one year £'000	Two to five years £'000	Greater than five years £'000	Total £'000
At 31 December 2017				
Borrowings:				
Bank borrowings	2,719	153,633	–	156,352
Total	2,719	153,633	–	156,352
At 31 December 2016				
Borrowings:				
Bank borrowings	18,987	180,028	–	199,015
Total	18,987	180,028	–	199,015

Notes to the Group consolidated financial statements continued

22. Financial instruments – risk management continued

Fair value hierarchy

IFRS 13 'Financial Instruments: Disclosures' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the Group's fair value measurements have been categorised as Level 1 except for contingent consideration which has been categorised as Level 3. There were no transfers between levels during the year.

Financial instruments in Level 3

The Group's financial instruments that are categorised under level 3 are contingent consideration relating to the acquisition of the trading businesses in February 2015. The techniques used to value these obligations are included in Note 17.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2017.

	Contingent consideration £'000
At 1 January 2017	4,000
Gains and losses recognised in profit and loss	(1,740)
At 31 December 2017	2,260

Capital risk management

The capital structure of the Group consists of net debt (borrowings disclosed in Note 18 after deducting cash and bank balances) and equity of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Note 24.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

The Group must comply with two covenants each half year from 30 June 2017. The covenants are certain ratios of interest cover and leverage, which are monitored on a regular basis by the Board. At the year end date, management believes significant headroom exists on both covenant conditions.

Dividend policy

Our dividend policy is based on a pay-out ratio of 40–50% of adjusted profit after taxation over a business cycle. This adjusted profit measure can be seen in Note 11 to the Group financial statements. Following the announcement of our dividend policy at the time of the Group's IPO in October 2015, Directors remain confident that the dividend policy remains appropriate. At 31 December 2017, the parent maintains significant distributable reserves of £409 million.

The Directors intend that the Company will pay an interim dividend equal to one-third of the prior year's full year dividend, with a final dividend in respect of each financial year as the balance to the total annual dividend, to be announced at the time of the announcement of the interim and final results, respectively. The Directors believe that a policy of paying one-third of the prior full year dividend as an interim in the following half-year period provides greater certainty to shareholders.

23. Share capital

	Number of shares	Share capital £'000
At 1 January 2016		
Issued, called up and fully paid:		
Ordinary shares of £0.01 each	405,500,000	4,055
	405,500,000	4,055
Issue of Ordinary shares of £0.01 each	817,131	8
At 31 December 2016	406,317,131	4,063
Issue of Ordinary shares of £0.01 each	103,417	1
At 31 December 2017	406,420,548	4,064
Comprised of:		
Issued, called up and fully paid.		
Ordinary shares of £0.01 each	406,420,548	4,064

In the year ending 31 December 2017, share capital has increased by 103,417 as a result of the issue of Ordinary share capital of £0.01 each to satisfy share options exercised in the year.

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

24. Reserves

Share premium account

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.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other reserves

Other reserves in the prior year relate to contingent consideration arising on acquisition where there is no contractual obligation to settle the contingent consideration in cash based on events outside the Group's control. As part of the Share Sale Agreement with the previous owner of the acquired entities, half of all proceeds above a contracted amount, received by the acquired trading business on the sale of certain land assets in the future, shall be payable to the seller. Sale of land assets is in the control of the Group and accordingly was recognised in equity. Contingent consideration was recognised in relation to this, based on management's best estimate of £1,109,000 from an estimated range of nil to £3,800,000. During the year ended 31 December 2017, the purchaser ceased to hold any shares in Ibstock plc, as set out in Note 29, and as a result the amount of £1,109,000 has been transferred from Other reserves to Retained earnings within the Consolidated Statement of Changes in Equity.

Merger reserve

The merger reserve of £369.1 million arose on the acquisition of Figgs Topco Limited by Ibstock plc in a prior period and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

Notes to the Group consolidated financial statements continued

25. Share incentive plans

Share based payment charges:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Long-Term Incentive Plan 25(a))	316	264
Share Option Plan (25(b))	226	159
Annual & Deferred Bonus Plan (25(c))	18	–
Save As You Earn (25(d))	453	725
Share Incentive Plan (25(e))	266	378
	1,279	1,526

Executive share option plans

The Group operates a Long Term Incentive Plan ("LTIP"), a Share Option Plan ("SOP") and an Annual and Deferred Bonus Plan ("ADBP") share-based payment awards for selected management.

(a) LTIP

The Group granted LTIPs during the year for key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. The LTIP awards contain performance conditions dependent upon the growth of the Group's earnings per share ("EPS") and total shareholder return ("TSR"). Please refer to the information given in the Directors' Remuneration Report on pages 66 to 83 for details in relation to the vesting conditions in relation to the LTIP.

During the year, 731,007 options (2016: 755,311) over Ordinary shares of 1p each were granted to management under the LTIP and 73,684 shares (2016: 263,981) were exercised at a weighted average share price at the date of exercise of £2.52 (2016: £1.76). During the year ending 31 December 2017, 108,313 options (2016: nil) lapsed.

(b) SOP

The Group granted options under the Share Option Plan during the year at the discretion of the Board and this has been approved by shareholders at the Annual General Meeting. Under the SOP 484,570 options (2016: 360,423 options) over Ordinary shares of 1p each were granted to management. To date, no options have been exercisable under the SOP and 81,538 options (2016: nil options) lapsed. Awards granted in the year under the scheme have a specified exercise price of 211.8p (2016: 195.4p) and the weighted average exercise price of options outstanding is 208.5p. The SOP has an employment condition of three years and no other performance conditions.

(c) 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. The first deferred awards over Ordinary shares under the ADBP was made in relation to the 2016 year end bonus with options issued in March 2017. The main terms of these awards are a minimum deferral period of three years, during which no performance conditions will apply; and the participants' employment at the end of the deferral period. In the current year, 9,593 options lapsed and at 31 December 2017, an amount of £76,000 (2016: £89,000) had been recorded in accruals for the award relating to the bonus earned for the year ending 31 December 2017.

All employee share schemes

In addition to the Executive share option plans, the Group has two all-employee share-based payment arrangements – the Save As You Earn (SAYE) and Share Incentive Plan (SIP) awards:

(d) SAYE

In order to participate in the Group's Sharesave Plan, an employee must enter into a linked savings contract with a bank or building society to make contributions from salary on a monthly basis over a three or five-year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary shares under the Sharesave Plan at a specified exercise price. The total number of awards issued under this scheme in the period ended 31 December 2015 equalled 3,760,262, of which 623,671 have lapsed and 29,733 were exercised in the year ending 31 December 2017. There have been no further awards in the current or prior years.

(e) SIP

On 18 December 2015, the Company announced a Share Incentive Plan (SIP) following the Group's IPO. Subject to qualifying employment conditions, all employees were entitled to apply for free shares up to a value of £800 depending on their period of service. The number of shares issued under the SIP in the year ended 31 December 2016 was 553,150. The free shares have a three-year employment condition and no further vesting conditions. In the year ended 31 December 2017, 53,950 shares lapsed and 4,650 shares were provided to good leavers.

The assumptions used to calculate the fair value of the LTIP, SOP and ADBP awards granted during the year ended 31 December 2017 are detailed below:

	LTIP	SOP	ADBP
Grant date	29 March 2017	29 March 2017	29 March 2017
Share price at grant date	2.118	2.118	2.118
Exercise price	nil	2.118	nil
Number of shares issued	731,007	484,570	83,017
Vesting period	3 years	3 years	3 years
Pricing Model	Monte Carlo	Binomial	Binomial
% expected to vest	95%	95%	95%
Expected share price volatility	31.36%	32.90%	n/a
Expected dividend yield	n/a	4.13%	n/a
Expected option life	3 years	6.5 years	n/a
Fair value per share	1.67	0.46	2.10
Risk-free rate	0.18%	0.69%	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 2017	2,037,730	4,313,412
Awards granted	1,298,594	–
Awards exercised	(73,684)	(34,383)
Awards lapsed/forfeited	(199,444)	(682,271)
Awards outstanding at 31 December 2017	3,063,196	3,596,758

In assessing the expected volatility level, due to Ibstock plc's short share price history, volatility of similar listed companies have been used as a proxy.

Notes to the Group consolidated financial statements continued

26. Operating leases and commitments

The Group as lessee

Commitments under non-cancellable operating leases due are as follows:

	31 December 2017		
	Land and buildings £'000	Other £'000	Total £'000
Within one year	3,302	4,128	7,430
Between two and five years	10,446	6,175	16,621
After five years	19,091	150	19,241
	32,839	10,453	43,292

	31 December 2016		
	Land and buildings £'000	Other £'000	Total £'000
Within one year	3,026	4,036	7,062
Between two and five years	10,291	7,137	17,428
After five years	19,883	160	20,043
	33,200	11,333	44,533

The Group is lessee on a number of properties in addition to plant and machinery which it uses in its operations. The operating leases run for a variety of terms and their non-cancellable commitments are set out above. There is no material contingent rent payable, renewal or purchase options, escalation clauses or restrictions imposed by the lease agreements.

The Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 December 2017 £'000	31 December 2016 £'000
Within one year	562	464
Between two and five years	786	624
After five years	999	1,195
	2,347	2,283

The Group acts as lessor on a number of properties where it leases surplus land not currently utilised by the business. The operating leases run for a variety of terms and their future minimum lease payments receivable are set out above.

Capital commitments

Capital expenditure contracted for not yet incurred at the balance sheet date, predominantly relating to assets in the course of construction, is as follows:

	31 December 2017 £'000	31 December 2016 £'000
Amount contracted for, which has not been provided	16,067	26,799

27. Notes to the Group cash flow statement

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities	Notes		
Profit before taxation		83,426	110,861
Adjustments for:			
Depreciation of property, plant and equipment	13	19,859	19,356
Amortisation of intangible assets	12	6,476	6,555
Finance costs	8	11,367	3,085
(Gain)/loss on disposal of property, plant and equipment	6	(144)	(625)
Other		(115)	(1,054)
Movement in contingent consideration		(1,740)	–
Research and development taxation credit		(1,762)	–
Share-based payment	25	1,279	1,526
Deferred income		–	(215)
Curtailment gain	20	–	(30,317)
Post-employment benefits		(6,118)	(3,676)
		112,528	105,496
(Increase) in inventory		(4,942)	(320)
(Increase) in debtors		(2,319)	(309)
Increase/(decrease) in creditors		9,093	(101)
(Decrease)/increase in provisions		(3,565)	39
Cash generated from operations		110,795	104,805

Notes to the Group consolidated financial statements continued

28. Group subsidiaries

Ibstock plc had the following subsidiaries as at 1 January 2017 and 31 December 2017:

Entity	Principal activity	Country of incorporation	Proportion of Ordinary shares held directly by the Parent	Proportion of Ordinary shares held by the Group
Figgs Topco Limited ¹	Holding company	UK	100%	100%
Figgs Midco Limited	Holding company	UK	100%	100%
Figgs Newco Limited	Holding company	UK	100%	100%
Ibstock Building Products Limited	Holding company	UK	100%	100%
Figgs Bidco Limited	Holding company	UK	100%	100%
Figgs Bidco 2 Limited	Holding company	UK	100%	100%
Ibstock Group Limited	Holding company	UK	100%	100%
Forticrete Ltd	Manufacturer of concrete products	UK	100%	100%
Home Building Supplies Ltd ²	Sale and distribution of building materials	UK	100%	100%
Baldwin Industries Ltd	Holding company	UK	100%	100%
Anderton Concrete Products Ltd	Manufacturer and supplier of precast and prestressed concrete products	UK	100%	100%
Oakhill Holdings Ltd	Holding company	UK	100%	100%
Supreme Concrete Ltd	Manufacturer and supplier of precast and prestressed concrete products	UK	100%	100%
Gee-Co Holdings Ltd	Dormant	UK	100%	100%
Ibstock Brick Holding Company Ltd	Holding company	UK	100%	100%
Ibstock Brick Ltd	Brick manufacturer	UK	100%	100%
Ibstock Leasing Ltd	Dormant	UK	100%	100%
Ibstock Management Services Ltd ³	Dormant	Jersey	100%	100%
Ibstock Finance Co Ltd ³	Dormant	Jersey	100%	100%
Kevington Building Products Ltd	Dormant	UK	100%	100%
Ibstock Brick Leicester Ltd	Dormant	UK	100%	100%
Ibstock Brick Aldridge Ltd	Dormant	UK	100%	100%
Ibstock Brick Himley Ltd	Dormant	UK	100%	100%
Ibstock Westbrick Ltd	Dormant	UK	100%	100%
Ibstock Brick Aldridge Property Ltd	Dormant	UK	100%	100%
Moore & Sons Ltd ²	Dormant	UK	100%	100%
Manchester Brick and Precast Ltd	Dormant	UK	100%	100%
Ibstock Brick Nostell Ltd	Dormant	UK	100%	100%
Ibstock Brick Roughtdales Ltd	Dormant	UK	100%	100%
Ibstock Brick Cattybrook Ltd	Dormant	UK	100%	100%
Ibstock Hathernware Ltd	Dormant	UK	100%	100%
Ibstock Bricks (1996) Ltd	Dormant	UK	100%	100%
Wealdbeam Systems Ltd ²	Dormant	UK	100%	100%
Loopfire Systems Ltd ²	Dormant	UK	100%	100%
Glen-Gery Corporation ⁴	Brick manufacturer	USA	100%	100%
Landmark Stone Products LLC ⁴	Stone manufacturer	USA	100%	100%
Redfield Quarry LLC ⁴	Dormant	USA	100%	100%

1 - Figgs Topco Limited is owned directly by Ibstock plc. All other companies are indirectly owned

The country of incorporation is the same as the place of business for all the above entities. All entities have the same registered office as the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire LE67 6HS except those subsidiary entities with numerical superscripts.

2 - Coppingford Hall, Sawtry, Huntingdon, Cambridgeshire PE28 5GP.

3 - 47 Esplanade, St Helier, Jersey, Channel Isles JE1 0BD.

4 - 1166 Spring Street, Wyomissing, PA 19610, USA

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of Ordinary shares held. The Parent Company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

29. Related party transactions

In the year ended 31 December 2017:

On 9 March 2017, Diamond (BC) S.a.r.l (a wholly owned subsidiary of Bain Capital Partners LLC) announced the proposed placing of approximately 40,600,000 Ordinary shares in the capital of Ibstock plc. On 10 March 2017, the Company announced that 48,600,000 Ordinary shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC held Ordinary shares representing approximately 25.0% of the entire issued share capital. On 25 April 2017, Diamond (BC) S.a.r.l announced the proposed placing of approximately 50,000,000 ordinary shares in the capital of Ibstock plc. On 26 April 2017, the Company announced that 101,600,000 Ordinary shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC ceased to hold any Ordinary shares in Ibstock plc. As at 31 December 2017, the Board of Directors of the Company, consider, based on the facts and circumstances, that Bain Capital Partners LLC no longer has significant influence over the Group and is no longer a related party. There is no ultimate controlling party.

In the year ended 31 December 2016:

On 2 September 2016, Diamond (BC) S.a.r.l (a wholly owned subsidiary of Bain Capital Partners LLC) announced the sale of 40,500,000 Ordinary shares in the capital of the Group. Following the sale, Bain Capital Partners LLC held 150,200,435 Ordinary shares representing approximately 37.0% of the entire issued share capital. As at 31 December 2016 the Board of Directors of the Company, considered, based on the facts and circumstances, that Bain Capital Partners LLC continued to have significant influence over, but did not control, the Group.

See Note 7 for details of key management personnel remuneration.

30. Contingent liabilities

Contingent liabilities were provided for on acquisition which took place in the period ended 31 December 2015 in line with IFRS 3. There are no further contingent liabilities as at 31 December 2017 or 31 December 2016.

31. Dividends paid and proposed

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Final dividend for 2016: 5.3 pence (2015: 4.4 pence)	21,532	17,869
Interim dividend for 2017: 2.6 pence (2016: 2.4 pence)	10,566	9,746
	32,098	27,615
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2017: 6.5 pence (2016: 5.3 pence)	26,417	21,500
	26,417	21,500

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 6.5 pence per Ordinary share (2016: 5.3 pence) which will distribute an estimated £26,417,000 (2016: £21,500,000) of shareholders funds. It will be paid on 8 June 2018 to those shareholders who are on the register at 11 May 2018 subject to approval at the Group's Annual General Meeting.

32. Post balance sheet events

Except for the proposed dividend (see Note 31), no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified since the balance sheet date.

Company balance sheet

(prepared in accordance with UK GAAP – FRS 102)

Company number: 09760850

As at 31 December 2017	Notes	31 December 2017 £'000	31 December 2016 £'000
Fixed assets			
Investments	4	499,601	490,926
Current assets			
Debtors	5	115,570	107,537
Cash at bank and in hand		–	18
		115,570	107,555
Creditors – amounts falling due within one year	6	(75,631)	(41,378)
Net current assets		39,939	66,177
Total assets less current liabilities		539,540	557,103
Net assets		539,540	557,103
Capital and reserves			
Called up share capital	8	4,064	4,063
Share premium		781	–
Profit and loss account		534,695	553,040
Total equity		539,540	557,103

The notes on pages 140 to 143 are an integral part of these financial statements.

As permitted by Section 408 of the Companies Act 2006, the Parent Company's profit and loss account has not been presented in these financial statements. The Parent Company's profit after tax for the year was £13,211,000 (year ended 31 December 2016: profit of £16,192,000).

These financial statements were approved by the Board on 5 March 2018 and were signed on its behalf by:


W Sheppard **K Sims**
 Director Director

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2017		4,063	–	553,040	557,103
Profit for the year		–	–	13,211	13,211
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		–	–	13,211	13,211
Transactions with owners:					–
Issue of share capital	8	1	781	(737)	45
Share based payments		–	–	1,279	1,279
Equity dividends		–	–	(32,098)	(32,098)
Transactions with owners		1	781	(31,556)	(30,774)
Balance at 31 December 2017		4,064	781	534,695	539,540
Balance as at 1 January 2016		4,055	–	562,945	567,000
Profit for the year		–	–	16,192	16,192
Other comprehensive income		–	–	–	–
Total comprehensive income for the financial year		–	–	16,192	16,192
Transactions with owners:					
Issue of share capital	8	8	–	(8)	–
Share based payments		–	–	1,526	1,526
Equity dividends	12	–	–	(27,615)	(27,615)
Transactions with owners		8	–	(26,097)	(26,089)
Balance at 31 December 2016		4,063	–	553,040	557,103

The notes on pages 140 to 143 form an integral part of these financial statements.

Notes to the Company financial statements

1. Authorisation of financial statements

The Parent Company financial statements of Ibstock plc ("the Company") for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 5 March 2018 and the balance sheet was signed on its behalf by W Sheppard and K Sims.

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

Summary of significant accounting policies

The financial statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Companies Act 2006. As a qualifying entity, as defined by FRS 102, the Company has elected to adopt the reduced disclosure exemptions set out with paragraph 1.12 of FRS 102, as described below.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has not disclosed the information required by regulation 5(1)(b) of the Companies (Disclosure of Auditors Remuneration and Liability Limitation Agreements) Regulations 2008 as the Group accounts of the Company are required to comply with regulation 5(1)(b) as if the undertakings included in the consolidation were a single group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 16 and 17. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Director's Report on 84 and 85. In addition, Note 22 to the Group financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result it believes its trading performance will demonstrate continued improvement in the coming periods, and that liquidity will remain strong.

The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group the Board has concluded that the going concern basis of preparation for the financial statements of the Company is appropriate. In addition, see the Group's Viability Statement set out on page 42 of the Group financial statements.

Fixed asset investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment and net of merger and Group reconstruction relief available.

Share based payments

The Company operates a number of equity-settled share based compensation plans on behalf of the Group. The fair value of the employee services received under such plans is capitalised as an investment in the Company's subsidiary until such time as intra-Group recharges are levied by the Company to recover this cost from its subsidiaries. Upon recharge, the amounts recharged is treated as a return of capital contribution and recorded as a credit to equity (up to the value of the initial share based payment treated as a capital contribution). Any recharge in excess of the capital contribution is recognised within the Company income statement. The amount to be recognised over the vesting period is determined by reference to the fair value of share based payments. For further details of share based payments, see Note 25 of the Group financial statements.

Dividend distribution

Dividend distributions to Ibstock's shareholders are recognised in the Company's financial statements in the periods in which the final dividends are approved in the Annual General Meeting, or when paid in the case of an interim dividend.

Financial instruments

(i) Objectives and policies

The Company, in common with its Group subsidiaries, must comply with the Group's finance guidelines that set out the principles and framework for managing Group-wide finances. Further information on the Group's policies and procedures is available in the Group financial statements. The Company does not enter into speculative treasury arrangements.

(ii) Price risk, credit risk, liquidity risk and cash flow risk Foreign exchange risk management

The Company primarily transacts in Sterling and therefore exposure to foreign exchange risk is regarded as low.

Credit risk management

For the Company, this risk arises from cash and cash equivalents and deposits with banks. This is managed on a Group basis and there are a number of initiatives underway to mitigate this risk. These include concentrating activities with a group of banks that have strong, independently verified credit ratings. For each bank, individual risk limits are set based on its financial position, credit ratings, past experience and other factors.

Liquidity planning, trends and risks

The Company has sufficient committed borrowing facilities to meet planned liquidity needs with headroom, through facilities provided by the Group.

The Company has adopted IAS 39 for 'recognition and measurement of financial instruments'.

(iii) Financial assets

Financial assets, including preference shares, trade and other receivables, loans to fellow Group companies and cash and bank balances, are initially recognised at fair value.

Such assets are subsequently carried at amortised cost using the effective interest method.

(iv) Financial liabilities

Financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognised at fair value.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method in accordance with IAS 39.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination may be uncertain. The calculation of the tax charge therefore necessarily involves a degree of estimation and judgement. The tax liabilities are based on estimates of whether additional taxes will be due and tax assets are recognised on the basis of probable future recoverability. This requires management to exercise judgement based on their interpretation of tax laws and the likelihood of settlement of tax liabilities or recoverability of tax assets. To the extent that the final outcome differs from the estimates made, tax adjustments may be required which could have a material impact on the tax charge and profit for the period in which such a determination is made.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing differences.

Share capital

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

Related parties

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

Disclosure exemptions

In preparing the Parent Company financial statements, the Company has elected to adopt the reduced disclosure exemptions set out in paragraph 1.12 of FRS 102, because the Company prepares Group consolidated financial statements, as described below:

(a) under FRS 102 (Section 1.12(b)), the Parent Company is exempt from the requirements to prepare a cash flow statement on the grounds that its cash flows are included within the Ibstock plc Group consolidated financial statements.

(b) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12(e)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(c) The Parent Company is a qualifying entity and has taken advantage of the exemption from disclosing certain financial instrument disclosures under FRS 102 (Section 1.12(c)), as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(d) The Company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share-based payment disclosure requirements as it is a parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

(e) The Company has taken advantage of the reduced disclosure exemption under FRS 102 (Section 1.12(a)) and is not required to follow the requirements of paragraph 4.12(a)(iv) of FRS 102 and as such only disclose a reconciliation of shares outstanding at between the beginning and end of the year, and not the prior year.

In addition, the Company has taken the exemption within Section 33 of FRS 102 from disclosing intragroup transactions with wholly owned subsidiaries.

2.(b) Critical accounting judgements and estimates

No critical judgements or estimates were made in applying the Company's accounting policies for the year ended 31 December 2017.

3. Employee information

The Company has no employees. Non-Executive Directors of the Company are employed under letters of appointment. Full details of the Executive and Non-Executive remuneration is disclosed in the Annual Report on Remuneration on pages 66 to 83. For further details of Directors' remuneration, refer to Note 7 of the Group financial statements

Notes to the Company financial statements continued

4. Fixed asset investments

	Investment in subsidiary undertakings £'000
Cost	
At 1 January 2016	484,195
Additions – A preference shares in subsidiary undertakings – accrued interest	5,205
Additions – fair value of share incentives issued to Group employees	1,526
At 31 December 2016	490,926
Additions – A preference shares in subsidiary undertakings – accrued interest	7,396
Additions – fair value of share incentives issued to Group employees	1,279
At 31 December 2017	499,601

Preference shares include accrued interest of £13,363,000 (2016: £5,967,000).

5. Debtors

	31 December 2017 £'000	31 December 2016 £'000
Amounts owed by subsidiary undertakings	115,370	107,509
Prepayments and other debtors	200	28
	115,570	107,537

The loan receivable from subsidiary undertakings is unsecured, repayable on demand and accrues interest at a rate of 8% per annum.

6. Creditors – amounts falling due within one year

	31 December 2017 £'000	31 December 2016 £'000
Amounts owed to subsidiary undertakings	65,417	39,417
Accruals and other creditors	1,860	952
Current tax payable	–	1,009
Bank overdraft	8,354	–
	75,631	41,378

Amounts owed to subsidiary undertakings are unsecured, repayable on demand and interest free. The Group has a cash pooling arrangement with the bank.

7. Financial instruments

The Company has the following financial instruments:

Loans and receivables		
	31 December 2017 £'000	31 December 2016 £'000
Financial assets that are debt instruments measured at amortised cost:		
Amounts owed by subsidiary undertakings	115,370	107,509
Cash and bank balances	–	18
	115,370	107,527
Loans and payables		
	31 December 2017 £'000	31 December 2016 £'000
Financial liabilities measured at amortised cost:		
Amounts owed to subsidiary undertakings	65,417	39,417
Accruals and other creditors	1,860	952
Bank overdraft	8,354	–
	75,631	40,369

The Company has no derivative financial instruments. The fair value of the financial instruments is equal to their carrying values.

8. Called up Share Capital

		Number of shares	Share capital £'000
Issued, called up and fully paid:			
At 1 January 2017	Ordinary shares of £0.01 each	406,317,131	4,063
Shares issued in the year			
At 31 December 2017	Ordinary shares of £0.01 each	406,420,548	4,064

In the current year, share capital has increased by 103,417 Ordinary shares of £0.01 as a result of the issue of 29,733 Ordinary shares to satisfy share options exercised in the year and 73,684 Ordinary shares to settle LTIP. Details of outstanding share options and other awards relating to the Company's share awards are included in Note 25 to the Group financial statements.

9. Contingent liabilities

The Company has guaranteed all Group bank borrowings as detailed in Note 18 of the Group financial statements. As part of the Group's joint and several liability, the Company is a party to the guarantee of the Group's VAT liability, which is approximately £38 million per annum.

10. Controlling party

The ultimate Parent Company and the smallest and largest group to consolidate these financial statements is Ibstock plc.

There is no ultimate controlling party – see Note 29 of the Group financial statements.

11. Related party transactions

The Company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group. See Note 29 of the Group financial statements.

Share awards to key management personnel resulted in an amount of £285,000 in the year ended 31 December 2017 (year ended 31 December 2016: £209,000), which has been taken to the fixed asset investment. See Note 25 and the Directors' Remuneration Report on pages 66 to 83 of the Group financial statements for further details.

12. Post balance sheet events

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 6.5 pence per Ordinary share (2016: 5.3 pence per Ordinary share) which will distribute an estimated £26,417,000 (2016: £21,500,000) of shareholder's funds. It will be paid on 8 June 2018 to those shareholders who are on the register at 11 May 2018 subject to approval at the Company's Annual General Meeting. See Note 31 of the Group financial statements.

See Note 32 of the Group financial statements for details of other post balance sheet events.

Additional information

Board of Directors

Jamie Pike (Non-Executive Chairman)
Jonathan Nicholls (Senior Independent Non-Executive Director)
Tracey Graham (Independent Non-Executive Director)
Justin Read (Independent Non-Executive Director)
Wayne Sheppard (Chief Executive Officer)
Joe Hudson (Chief Executive Officer Designate)
Kevin Sims (Chief Financial Officer)

Company Secretary

Robert Douglas

Auditors

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Joint corporate brokers

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

UBS Limited
5 Broadgate
London
EC2M 2QS

Financial PR

Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London
EC2M 5SY

Solicitors

Allen & Overy LLP
One Bishops Square
London
E1 6AD

Remuneration consultants

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Actuary

Conduent
160 Queen Victoria Street
London
EC4V 4AN

Registrar

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

0871 664 0300, from overseas call +44 (0)371 664 0300 calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00–17:30, Monday to Friday excluding public holidays in England and Wales.

Company registration number

09760850

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www.ibstockplc.com

Brand websites

Ibstock Brick – www.ibstock.co.uk
Ibstock Kevington – www.ibstock.com/kevington
Glen-Gery – www.glengery.com
Forticrete – www.forticrete.co.uk
Supreme – www.supremeconcrete.co.uk
Anderton – www.andertonconcrete.co.uk

Cautionary Statement

This Annual Report and Accounts has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report and Accounts involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

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29 May 2018

Our ref S0314/EAF/PM

Dear Sir

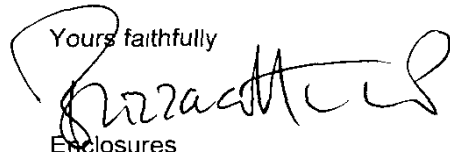
Sentebale

Company registration number: 05747857

We enclose, on behalf of our above named client, the report and accounts for the year ended 31 August 2017.

We enclose a copy of this letter for you to barcode and return to us in the reply paid envelope.

Yours faithfully



Enclosures