Ibstock PLC - full year results
Released 7 March 2017

Ibstock plc
Results for the year ended 31 December 2016

Robust performance while investing for future growth

Ibstock plc ('Ibstock' or the 'Group'), a leading manufacturer of clay bricks and concrete products with operations in the United Kingdom and the United States, announces its preliminary results for the year ended 31 December 2016.

Financial Highlights[1]:

- Group revenue up 5% to £435 million
- Adjusted EBITDA[2] up 4% to £112 million
- Adjusted EPS of 18.1 pence
- Net debt[3] to EBITDA reduced to 1.2x, after £59 million of capex
- Return on capital employed[4] at 19%, after £44 million of capex on major projects
- Continued strong cash conversion of 88%[5]
- Final dividend of 5.3 pence per share (2015: 4.4 pence per share) making the full year 2016 dividend 7.7 pence per share

Adjusted results for the period:

Year ended 31 December	*2016*	*2015*	*Change*
Revenue	£434.7m	£412.8m	+5.3%
Adjusted EBITDA	£111.6m	£107.0m	+4.3%
Adjusted EPS[6]	18.1 pence		

The adjusted results for 2015 use the full twelve month trading period as comparative information, as set out in Note 3.

Statutory results:

	12 months ended 31 December 2016	*Restated period ended 31 December 2015 (contains only 10 months' trading)*
Revenue	£434.7m	£358.3m
Profit before tax	£110.9m	£86.3m
Statutory EPS	22.3 pence	32.6 pence
Final dividend	5.3p	4.4p

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Operational Highlights

- UK Clay business saw a stronger second half driven by good activity levels from the new build housing sector and gradual reversal of brick destocking by UK merchants/distributors – full year brick volumes slightly ahead of 2015

- Concrete products performed well, particularly in the domestic landscaping RMI and new homes sectors – volumes ahead in both businesses

- Major UK capital projects progressed to schedule

  - New metric roof tile line at Forticrete commissioned in Q4 2016 and first tiles introduced to the market to excellent customer reception

  - New 100m p.a. capacity brick manufacturing plant in Leicestershire on schedule to commission in H2 2017

  - £8m project to improve manufacturing efficiencies and increase blue brick capacity at Lodge Lane, Cannock commenced in late 2016

- Glen-Gery delivered strong profit growth for the year in line with expectations with solid non-residential and single family home markets supporting performance

Wayne Sheppard, Chief Executive Officer of Ibstock plc, commented:

"Ibstock delivered a robust full year performance for 2016, with the Group result ahead of the prior year despite the uncertainty arising from events such as the EU referendum in the UK and the US Presidential election. At the same time we have continued to invest in the future of the business with our new tile line at Forticrete now in operation, construction of the new Leicestershire brick plant on schedule and a further capacity expansion project underway at Lodge Lane in Staffordshire. The main earnings benefits from these investments will flow through in future years.

"We have made an encouraging start to the new financial year, against softer comparatives from 2016 when our UK Clay business was affected by distributor destocking. With continued strength in the new home developer market, normalised demand from the merchant sector in the UK, and a positive economic backdrop in the US, our businesses have traded ahead of the prior year in the early weeks of 2017. While we remain mindful of the uncertainties surrounding Brexit we maintain our expectations for another year of progress."

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Results presentation

Ibstock is holding a presentation to analysts at 0900 today at the offices of UBS, 5 Broadgate, London, EC2M 2AN. Analysts wishing to attend should contact ibstock@citigatedr.co.uk to register.

Analysts unable to attend in person may listen to the presentation live by using the details below:

Webcast link: http://edge.media-server.com/m/p/bo9oeefn

Conference Call Dial-In Details: 0808 109 0700

Standard International Access: +44 (0) 20 3003 2666

Password: Ibstock

An archived version of today's webcast analyst presentation will be available on www.ibstockplc.com later today.

Enquiries

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Notes to Editors:

Ibstock plc is a leading manufacturer of clay bricks, with a diversified range of clay and concrete products, and operations in the United Kingdom and the United States. Its principal products are clay bricks, brick components, concrete roof tiles, concrete substitutes for stone masonry, concrete fencing and pre-stressed concrete products.

The Group's four primary businesses are:

- **UK business:**
  - **Ibstock Brick:** The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 19 manufacturing plants Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 23 active quarries which are generally located close to its manufacturing plants. Ibstock Brick has commenced construction of a new soft mud brick manufacturing plant in Leicestershire that is expected to add approximately 100 million bricks (c. 13%) to its brick production capacity per annum. The new plant is expected to be commissioned in the second half of 2017.
  - **Supreme:** A leading manufacturer of concrete fencing products and concrete lintels and general concrete building products, with seven manufacturing plants in the United Kingdom.
  - **Forticrete:** A leading manufacturer of concrete substitutes for natural stone walling and dressings and concrete roof tiles, with seven manufacturing plants in the United

Kingdom. Forticrete has recently commenced production on the new concrete roof tile manufacturing line at its Leighton Buzzard facility, which is facilitating its expansion into the large format market, making Forticrete a full range roofing supplier.

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

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[1] Financial highlight movements are calculated against the 12-month trading result for the year ended 31 December 2015, which differs from our statutory reported numbers for 2015. A full reconciliation is included in Note 3 to the financial statements.

[2] Adjusted EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, and excludes exceptional items as set out in Note 5. This is reconciled on the face of the consolidated income statement.

[3] Net debt is defined as the sum of cash and total borrowings.

[4] Return on capital employed is defined as the adjusted EBITDA (defined above) adding back depreciation pre fair value uplift, as a proportion of capital employed (defined as net debt plus equity adjusted for pensions).

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

[6] Adjusted EPS is defined as the basic earnings per share adjusted for exceptional items, amortisation and depreciation arising on fair value adjustments and non-cash interest, as set out in the reconciliation of adjusted EPS in Note 7.

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Chief Executive's review

Introduction

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

Performance overview

Revenue was £434.7 million and profit before tax was £110.9 million in the year to 31 December 2016. Adjusted EBITDA was £111.6 million (2015: £107.0 million).

Due to the disposal from CRH plc and acquisition by Bain part way through the first half of 2015, presentation of the Group's statutory results for the comparative period are complicated. To assist shareholders in their analysis of the Group's performance, Ibstock presented its results for 2015 on an adjusted basis (as if the CRH disposal had been on 1 January 2015). This presents a full 12-month trading results for the year to 31 December 2015 – representing a more meaningful comparison.

Except where stated otherwise, the prior year comparatives throughout these statements refer to these Adjusted Results.

United Kingdom

The UK businesses represented 79% of the Group's revenue in 2016 and the adjusted EBITDA increased 4% year-on-year for the UK segment at £103 million.

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

We announced in March that destocking was experienced within our UK brick business as merchant demand and supply rebalanced at new higher activity levels. With brick availability returned to normal levels, due to industry production recovering from the financial crisis, merchant stockists were able to service their customers whilst keeping lower inventory levels and the resultant destocking increased brick supply to the market. Our UK brick volumes in the first half of the year were therefore slightly below the prior year, although they recovered in the second half to give a full year slightly ahead of 2015.

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

United States

The US business represented 21% of the Group's revenue in 2016 and saw continued growth during the year with revenue increasing by 4% to $122m. Adjusted EBITDA in the US increased to $17m (a 40% improvement).

Our Glen-Gery operations delivered another year of progress. The year began positively, as the unusually mild winter weather experienced in our key regions during the first quarter of 2016 enabled an early start to the building year.

As the strong first half volume growth flattened off as the year progressed, we saw a slower autumn period and as we moved into the final months of the year, weather patterns returned to their normal seasonal trends. The US Presidential election also impacted demand levels and we saw lower sales volumes as the election date approached. As a result, the year finished in line with our prior expectations. Our US operations benefited from foreign exchange movements, which increased revenue by £10.9 million and Adjusted EBITDA by £1.5 million in 2016 compared to 2015.

Overall, 2016 was a year of strong progress for our US business with a good first half and a second half similar to that of the prior year. As the US new home market continues to recover, the housing mix increasingly favours single family dwellings, as compared to the higher volumes of multi-family homes that were built during the difficult recession years. This switch in housing mix favours brick demand. Additionally, Glen-Gery's exposure to the non-residential construction market has served it well – with good activity levels and some significant projects completed in the retail and educational sectors during the year. We also saw the first signs of rationalisation within the US brick market, with the announcement in August of the creation of Meridian Brick – a North American Bricks joint venture between two of our competitors, Boral and Forterra.

Strategy

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

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

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

In UK brick, our new 100 million per annum capacity brick factory in Leicestershire continues to progress well and is expected to be commissioned in the second half of 2017 as planned. Significant interest in brick supplies from the new factory has already been received from both housebuilders and merchants. Our new factory is designed to be the most efficient brick factory in the UK.

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Towards the end of 2016, we began a project to remodel our blue brick factory at Cannock in Staffordshire with the introduction of a new state-of-the-art kiln. Delivery of this project will improve both energy consumption and quality performance, but most importantly will increase our capacity for this product range. Additionally, the performance of our UK operations have benefited from our previous investments in walling and cast stone capacity at Forticrete which enabled volumes to grow during 2016.

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

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

The Group's key strength lies in our committed and experienced employees and our ability to deliver strong cash flows. We therefore look forward to the future with optimism from the good foundations laid in 2016 and maintain our expectation for another year of progress in 2017.

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Chief Financial Officer's report

Statutory overview

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

Due to the unusual nature of the statutory financial statements in the prior period, following the Group's formation in February 2015, I have described in the following analysis the year ended 31 December 2015 as a comparative. This assumes that the Group had existed in its current form since the beginning of 2015. I believe this provides shareholders with clearer information on the results of the operating entities and their relative performance in 2015.

Unless stated otherwise, the prior year comparatives in this report refer to the presentation of results for the year to 31 December 2015, as explained above. A reconciliation to the statutory information for 2015 is shown in Note 3 of the financial statements.

Revenue

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

Adjusted EBITDA

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

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

Cash flow and Net Debt

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

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

Net debt (term loan less cash) of £132.8 million at the year end, compared to £144.7 million at 31 December 2015, was also in line with management expectations. During 2016, £15.0 million was repaid against the senior facility of £200 million taken on at the time of the IPO in October 2015.

Interest on this five-year term loan was payable at LIBOR plus a margin of between 125bps and 250bps – the margin dependent on the Group's leverage ratio. This averaged 175bps plus LIBOR in 2016.The Group also had a committed Revolving Credit Facility ("RCF") of £40 million.

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

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

Cash generated from operations during 2016, excluding the impact of the exceptional operating items is shown in the table, below:

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

1 – Adjusted EBITDA is as defined, above.

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

3 – 2015 figures estimated on a normalised basis.

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

Exchange rates

The Group is exposed to movements in exchange rates when translating the results of the US operations from US Dollars to UK Sterling. Sterling depreciated against the Dollar during 2016. As noted above, the impact of this was a £1.5 million benefit to adjusted EBITDA in 2016.

Corporate overheads

As the Group makes a full transition to a listed business, we are experiencing greater stability in the central overhead costs incurred. Incremental 'plc costs' of £3.4 million were incurred in 2016, increasing the total from £0.7 million to £4.1 million, including share-based payment expenses of £1.9 million. The increase in 2016 primarily reflects a full 12-months of costs in 2016, compared to a

little over two months in the prior year following our listing in late October 2015. We anticipate a similar level of cost in 2017.

Exceptional items

In line with our accounting policy for exceptional items, we have excluded certain items from our adjusted results. The non-cash pension curtailment gain arising on the closure of the Group's UK defined benefit pension scheme, discussed below, along with associated costs, has been classified as exceptional in the current year.

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

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

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

Finance costs

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

Taxation

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

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

Earnings per share

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

Our adjusted EPS metric removes the impact of exceptional non-trading items. Additionally, the fair value uplifts resulting from our acquisition accounting have been removed from the adjusted EPS calculations along with non-cash interest impacts. The change to our measure for 2016 is described in Note 7. The adjusted EPS figures have been included to provide a clearer guide as to the underlying earnings performance of the Group.

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Table 2	2016	2015 (restated)
Statutory Basic EPS	22.3p	32.6p
Adjusted Statutory Basic EPS	18.1p	16.5p

Dividend

A final dividend of 5.3 pence per share (2015: 4.4 pence) is being recommended for payment on 9 June 2017 to shareholders on the register at the close of business on 12 May 2017.

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

Pensions

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

In August 2016, the Group announced its intention to conduct a consultation with the UK defined benefit scheme members, regarding a proposal to close the scheme to future accrual for all active members.

The scheme's active members all consented to this change in December 2016 and, from 1 February 2017, have joined the UK defined contribution scheme. This decision has resulted in costs associated with the closure of £1.6 million, which are classified as exceptional in our 2016 results. Upon closure, a non-cash curtailment gain of £30.3 million has also been recognised and treated as exceptional.

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

Prior period adjustment

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

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Subsequent events

Along with the proposed dividend, the Group refinanced its debt arrangements in March 2017 with a £250 million RCF. There have been no further events subsequent to 31 December 2016, which management believe require adjustment or disclosure.

Going concern and longer term viability

The Group continues to meet its day to day working capital and other funding requirements through a combination of long-term funding and cash deposits. As noted, above, the Group's banking facilities are a five year £250 million RCF replacing the five-year £200 million loan and a £40 million committed RCF (undrawn at 31 December 2016). Additionally, the directors have performed a comprehensive assessment of the Group's viability as a business over a longer period and concluded that the Group reasonably expects to continue in operation and meet its liabilities as they fall due over that three-year timeframe.

Risks and Uncertainties

The Board continually assesses and monitors the key risks impacting the business. 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 unchanged from those set out on pages 30 to 34 of the 2015 Annual Report and Accounts, although the impact of the UK leaving the EU has been underscored within our wider list of principal risks and uncertainties. Additionally, as with the majority of listed groups, cyber security has been included as a principal risk following Ibstock's ongoing exercise to review this area of the business during 2016.

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Statement of directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable company law and regulations and those International Financial Reporting Standards as adopted by the European Union. Under Company law, the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the results and cash flows of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper and adequate accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Group and enable them to ensure that the accounts and the Directors' Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the financial and corporate governance information as provided on the Ibstock plc website (www.ibstockplc.com).

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, each of the persons who are a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Directors' responsibility statement

The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and undertakings included in the consolidation taken as a whole;

Pursuant to the Disclosure and Transparency Rules, the Company's Annual Report and Accounts include a fair review of the development and performance of the business and the position of the 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

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The Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

The Annual Report was approved by the Board of Directors and authorised for issue on 7 March 2017, and signed for and on behalf of the Board by:

Wayne Sheppard	Kevin Sims
Chief Executive Officer	Chief Financial Officer
7 March 2017	7 March 2017

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CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31/12/2016 £'000	Restated period from 28/11/2014 to 31/12/2015 £'000
Revenue	4	434,687	358,331
Cost of sales before exceptional items		(268,554)	(213,587)
Gross profit before exceptional items		166,133	144,744
Exceptional cost of sales	5	(353)	(15,977)
Gross profit		**165,780**	**128,767**
Distribution costs		(36,523)	(29,265)
Administrative expenses before exceptional items		(47,258)	(36,814)
Exceptional administrative items	5	(1,741)	(24,138)
Administrative expenses		(48,999)	(60,952)
Negative goodwill on acquisition	5	-	115,738
Exceptional curtailment gain	5	30,317	-
Profit / (Loss) on disposal of property, plant and equipment		625	(1,403)
Other income		3,439	2,998
Other expenses		(693)	(688)
Operating profit		**113,946**	**155,195**
Finance costs before exceptional items		(4,371)	(29,519)
Exceptional finance costs	5	-	(39,922)
Finance costs		**(4,371)**	**(69,441)**
Finance income before exceptional items		764	498
Exceptional finance income	5	522	-
Finance income		**1,286**	**498**
Net finance cost		**(3,085)**	**(68,943)**
Profit before taxation		**110,861**	**86,252**
Taxation	6	(20,498)	7,715
Profit for the financial period		**90,363**	**93,967**
Profit attributable to:			
Owners of the parent		90,363	93,967

	Notes	£ pence	£ pence
Earnings per share			
Basic	7	22.3	32.6
Diluted	7	22.1	32.6

All amounts relate to continuing operations.

The consolidated income statement figures for the period ended 31 December 2015 only includes trading activities from 26 February 2015 following the acquisition of the trading business. Note 8, Business combinations, includes the performance of the Group as if the trading business had been owned for the full 12 month period ended 31 December 2015. See note 1 for details for the prior period restatement arising in the current year.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31/12/2016 £'000	Restated period from 28/11/2014 to 31/12/2015 £'000
Profit for the financial period		**90,363**	**93,967**
Other comprehensive income/(expense):			
Items that will not be reclassified to the profit or loss			
Remeasurement of post-employment benefit assets and obligations		(66,896)	11,709
Remeasurement of post-employment benefits - surplus restriction		(5,877)	(8,037)
Related tax movements		14,061	(734)
		(58,712)	**2,938**
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		14,946	1,097
		14,946	**1,097**
Other comprehensive (expense)/income for the period net of tax		**(43,766)**	**4,035**
Total comprehensive income for the period, net of tax		**46,597**	**98,002**
Total comprehensive income attributable to:			
Owners of the parent		46,597	98,002

The consolidated income statement figures for the period ended 31 December 2015 only includes trading activities from 26 February 2015 following the acquisition of the trading business. Note 8, Business combinations, includes the performance of the Group as if the trading business had been owned for the full 12 month period ended 31 December 2015. See note 1 for details for the prior period restatement arising in the current year.

Non-GAAP measure

Reconciliation of adjusted EBITDA to Operating profit for the financial period

	Notes	Year ended 31/12/2016	Period from 28/11/2014 to 31/12/2015
Adjusted EBITDA		**111,633**	**102,299**
Add back exceptional items	5	28,223	75,623
Add profit (less loss) on disposal of property, plant and equipment		-	(1,403)
Less depreciation and amortisation		(25,910)	(21,324)
Operating profit		**113,946**	**155,195**

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CONSOLIDATED BALANCE SHEET

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

See note 1 for details of the prior period restatement arising in the current year.

These financial statements were approved by the board on 7 March 2017 and were signed on its behalf by:

W Sheppard	K Sims
Director	Director

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Preference shares recognised as equity	Retained earnings	Merger reserve	Other reserves	Currency translation reserve)	Total equity attributable to owners
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2016		**4,055**	**-**	**-**	**671,759**	**(369,119)**	**1,109**	**1,097**	**308,901**
Profit for the year		-	-	-	90,363	-	-	-	90,363
Other comprehensive income		-	-	-	(58,712)	-	-	14,946	(43,766)
Total comprehensive income for the year		-	-	-	31,651	-	-	14,946	46,597
Transactions with owners:									
Share based payments		-	-	-	1,526	-	-	-	1,526
Deferred tax on share based payment		-	-	-	48	-	-	-	48
Equity dividends		-	-	-	(27,615)	-	-	-	(27,615)
Issue of share capital		8			(8)				-
At 31 December 2016		**4,063**	**-**	**-**	**677,361**	**(369,119)**	**1,109**	**16,043**	**329,457**
On incorporation on 28 November 2014		-	-	-	-	-	-	-	-
Profit for the period as previously stated		-	-	-	101,574	-	-	-	101,574
Prior year adjustment	1	-	-	-	(7,607)	-	-	-	(7,607)
Profit for the period as restated		-	-	-	93,967	-	-	-	93,967
Other comprehensive income		-	-	-	2,938	-	-	1,097	4,035
Total comprehensive income for the financial period as restated		-	-	-	96,905	-	-	1,097	98,002
Transactions with owners:									
Issues of shares of Figgs Topco Limited on incorporation as at 28 November 2014		10	9,990	-	-	-	-	-	10,000
Figgs Topco Limited shares issued in exchange for shareholder loan notes		-	-	56,078	-	-	-	-	56,078
Issue of Figgs Topco Limited share capital		80	524	-	-	-	-	-	604

Ibstock plc share capital issued on incorporation	50	-	-	-	-	-	-	50
Ibstock plc shares issued in exchange for shares in Figgs Topco Limited	482,668	-	-	-	-	-	-	482,668
Establishment of merger reserve and elimination of Figgs Topco Limited capital	(90)	(10,514)	(56,078)	-	(369,119)	-	-	(435,801)
Issue of share capital	526	99,473	-	-	-	-	-	99,999
Share issue costs	-	(4,952)	-	-	-	-	-	(4,952)
Share capital and share premium reduction	(479,189)	(94,521)	-	573,710	-	-	-	-
	4,055	-	-	573,710	(369,119)	-	-	208,646
Share based payments	-	-	-	1,199	-	-	-	1,199
Deferred tax on share based payment	-	-	-	(55)	-	-	-	(55)
Contingent consideration on acquisition	-	-	-	-	-	1,109	-	1,109
Transactions with owners	4,055	-	-	574,854	(369,119)	1,109	-	210,899
Balance at 31 December 2015 as restated	4,055	-	-	671,759	(369,119)	1,109	1,097	308,901

See Note 1 for details of the prior period restatement arising in the current year.

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CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31/12/2016	Period from 28/11/2014 to 31/12/2015
		£'000	£'000
Cash flow from operating activities			
Cash generated from operations	9	104,805	91,567
Interest paid		(4,588)	(46,143)
Tax paid		(6,957)	(3,460)
Net cash inflow from operating activities		93,260	41,964
Cash flows from investing activities			
Purchase of property, plant and equipment		(59,151)	(9,401)
Purchase of intangible		(121)	-
Proceeds from sale of property plant and equipment		1,759	13
Acquisition of subsidiaries, net of cash acquired	8	-	(365,384)
Interest received		-	12
Net cash (outflow) from investing activities		(57,513)	(374,760)
Cash flows from financing activities			
Proceeds from issuance of equity shares		-	110,654
Equity issue costs		-	(3,202)
Dividends paid		(27,615)	-
Drawdown of borrowings		-	569,000
Repayment of borrowings		(15,000)	(274,000)
Debt issue costs		-	(18,737)
Net cash (outflow)/inflow from financing activities		(42,615)	383,715
Net (decrease)/increase in cash and cash equivalents		**(6,868)**	**50,919**
Cash and cash equivalents at beginning of the period		51,024	-
Exchange gains/losses on cash and cash equivalents		1,673	105
Cash and cash equivalents at end of period		**45,829**	**51,024**

See Note 1 for details of the prior period restatement arising in the current year.

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1. 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 2016 were authorised for issue in accordance with a resolution of the Directors on 7 March 2017. The balance sheet was signed on behalf of the Board by W Sheppard and K Sims.

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

2. Basis of preparation

European law requires that the Group's consolidated financial statements for the year ended 31 December 2016 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2016 but is derived from those accounts. Statutory accounts for 2016 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2015.

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 2016. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

Its subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Therefore, the financial statements include the results of the operating companies which were acquired by Figgs Topco Limited on 26 February 2015 (see note 8), from that date.

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

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

Prior period adjustment

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

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

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 income statement within the financial statements.

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period, so as to facilitate comparison with future periods and to assess trends in financial performance.

In the current year, management has made the judgement to remove the profit on disposal of property, plant and equipment from the category of exceptional items due to management's identified programme of surplus asset disposals. The prior year loss on disposal of property, plant and equipment was classified as an exceptional item and has not been restated on the grounds of materiality.

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

New standards, amendments and interpretations not yet adopted

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

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has completed an assessment of the impact of IFRS 15 and determined that the standard will have no material impact on the Group's financial reporting.

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

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.

3. RECONCILIATION OF STATUTORY RESULT TO ADJUSTED RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

The Group acquired the trading entities of Ibstock Building Products Limited in the UK and Glen-Gery Corporation in the US, and their respective subsidiaries on 26 February 2015, hence only ten months of trading performance is included within the statutory results for the period ended 31 December 2015. Due to the unusual nature of this comparative financial information within the statutory results, management has provided adjusted results for the period assuming the acquisition had arisen on 1 January 2015. Management believes this provides shareholders with clearer information on the results of the operating entities relative performance in 2015. A reconciliation to the statutory information for the period ended 31 December 2015 is shown in the table, below.

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

1. Includes trading performance for the 10 months post-acquisition of the operating companies on 26 February 2015.
2. Figgs Topco Limited was incorporated on 28 November 2014 as the head company in a structure put in place as the acquisition entity of the trading companies.
3. Due to the normal seasonality of our industry, the operating results in the first two months of 2015 were lower than the remainder of the year.
4. Depreciation and amortisation on the fair value uplift on acquisition for the period from 1 January 2015 to 26 February 2015, assuming the transaction took place on 1 January 2015.

4. SEGMENT REPORTING

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

	Year ended 31 December 2016			
	UK	US	Unallocated	Total
	£'000	£'000	£'000	£'000
Clay revenue	253,592	90,539	-	344,131
Concrete revenue	90,556	-	-	90,556
Total revenue from external customers	**344,148**	**90,539**	**-**	**434,687**
Adjusted EBITDA	**102,954**	**12,751**	**(4,072)**	**111,633**
Pension closure costs	28,678	-	-	28,678
Acquisition costs	(102)	-	-	(102)
Exceptional cost of sales	(353)	-	-	(353)
EBITDA after exceptional items	131,177	12,751	(4,072)	139,856

Depreciation and amortisation pre fair value uplift	(12,401)	(4,055)	-	(16,456)
Incremental depreciation and amortisation following fair value uplift	(8,717)	(737)	-	(9,454)
Net finance costs	(3,183)	98	-	(3,085)
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

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

All assets held for sale relate to the UK segment.

	Period ended 31 December 2015 (restated)			
	UK	US	Negative goodwill on acquisition	Total
	£'000	£'000	£'000	£'000
Clay revenue	216,339	70,535	-	286,874
Concrete revenue	71,457	-	-	71,457
Total revenue from external customers	**287,796**	**70,535**	**-**	**358,331**
Adjusted EBITDA	**91,167**	**11,132**	**-**	**102,299**
Acquisition costs: Transaction costs	(9,392)	-	-	(9,392)
Acquisition costs: Retention and compensation payments	(623)	(363)	-	(986)
IPO costs: Transaction costs	(10,276)	(2,221)	-	(12,497)
IPO costs: Compensation payments	(1,263)	-	-	(1,263)
Loss on disposal of property, plant and equipment	(1,389)	(14)	-	(1,403)
Exceptional cost of sales	(13,491)	(2,486)	-	(15,977)
EBITDA after exceptional items	54,733	6,048	-	60,781
Depreciation and amortisation pre fair value uplift	(10,796)	(3,056)	-	(13,852)
Incremental depreciation and amortisation following fair value uplift	(7,306)	(166)	-	(7,472)
Negative goodwill on acquisition	-	-	115,738	115,738
Net finance costs	(68,188)	(755)	-	(68,943)
(Loss)/profit before tax	**(31,557)**	**2,071**	**115,738**	**86,252**
Total assets	567,464	102,405	-	669,869
Total liabilities	(336,990)	(23,981)	-	(360,971)
Non-current assets				
Intangible assets	118,127	9,676	-	127,803
Property, plant and equipment	299,280	47,605	-	346,885
Total	417,407	57,281	-	474,688

5. EXCEPTIONAL ITEMS

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

2016

Included within the current year are the following exceptional items:

Exceptional costs of sales

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

Pension closure costs

Professional advisor fees of £731,000, together with employee compensation payments of £908,000 were incurred in the current year in relation to the closure of the Group's UK defined benefit pension scheme. Due to the non-recurring nature of the closure, these costs were treated as exceptional. A curtailment gain of £30,317,000 arose in 2016 as a result of the Group's decision to close the UK defined benefit scheme to future accrual.

Transaction costs

Professional fees and other costs of £102,000 incurred in the current year have been classified as exceptional. These costs are directly attributable to acquisition activity arising in the year and were classified as exceptional due to their not expected to recurring nature.

Exceptional finance income

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

All exceptional items were settled in cash, other than the 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.

Tax on exceptional items

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

(i) The curtailment gain of £30,317,000 is not taxable in the current period. A deferred tax expense of £5,850,000 has been recognised in the period.

(ii) Administrative expenses include additional employer pension contributions payable of £265,000 arising from the closure of the UK defined benefit pension scheme. These pension contributions are tax deductible on a paid basis and a deferred tax asset of £51,000 has therefore been recognised.

(iii) Administrative expenses include exceptional legal and professional fees of £102,000 which are not tax deductible.

2015

Included within the prior period are the following exceptional items:

Acquisition costs

Exceptional costs of sales

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

Transaction costs

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

Retention & compensation payments

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

IPO costs

Transaction costs

Costs of £12,497,000 were incurred during the process of the Group's Initial Public Offering. This represented professional fees, management fees incurred prior to the listing and other transaction costs. Due to the non-recurring and material nature of such costs, they were classified as exceptional in the prior period.

Compensation and retention payments

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

Negative goodwill

Negative goodwill of £115,738,000 arose on the acquisition of the trading entities. For further details of how negative goodwill was generated on the business combination, see note 8.

Loss on disposal of property, plant and equipment

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

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

Tax on exceptional items

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

(i) Negative goodwill of £115,738,000 is non-taxable and therefore did not impact the reported tax credit for the prior period.

(ii) Acquisition costs of £7,039,000 and IPO transaction costs of £11,769,000 were treated as non-tax deductible and increased the current tax charge by £3,808,000

(iii) A deferred tax asset of £150,000 was recognised in respect of IPO-related share based payments totalling £723,000.

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

Exceptional finance costs were tax deductible in full in the prior period.

6. TAXATION

Analysis of income tax charge	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Current tax on profits for the period	17,958	1,878
Foreign withholding tax suffered	-	291
Adjustments in respect of prior period	(266)	-
Total current tax	17,692	2,169
Deferred tax on profits for the period	5,584	(3,205)
Adjustment in respect of previously unrecognised tax losses	(185)	(738)
Impact of change in tax rate	(3,072)	(5,941)
Adjustments in respect of prior period	479	-
Total deferred tax	2,806	(9,884)
Income tax expense / (credit) reported in the Consolidated Income Statement	**20,498**	**(7,715)**

The total tax expense / (credit) comprises:		
UK	18,733	(7,413)
US	1,765	(302)
	20,498	(7,715)

Income tax recognised within the Consolidated Statement of Other Comprehensive Income	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Tax adjustments arising on the UK pension scheme assets and liabilities:		
Current tax (credit)	(2,608)	-
Deferred tax (credit) / charge	(11,406)	734

Income tax recognised within the Consolidated Statement of Changes in Equity	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000

Deferred tax (credit) / charge on share based payments	(48)	55

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

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

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

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

The tax credit for the prior period includes a deferred tax credit of £738,000 relating to the recognition of US state tax losses acquired as part of the business combination. These tax losses were not recognised at the acquisition date due to the historic tax loss position of the US business. The US business has reported a taxable profit for the period and is expected to remain profitable in the foreseeable future. A deferred tax benefit was recognised in the prior period accordingly.

There are no income tax consequences for the Company in respect of dividends declared prior to the date of authorisation of these financial statements and for which a liability has not been recognised.

The Group expects its effective tax rate in the future to be affected by the geographical mix of profits and the different tax rates that will apply to those profits, the outcome of any future tax audits as well as the impact of changes in tax law.

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

7. EARNINGS PER SHARE

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

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

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

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

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

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

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

	Notes	Year ended 31 December 2016 £000	Period ended 31 December 2015 (restated) £000
Profit for the period attributable to the parent shareholders		**90,363**	**93,967**
Add back exceptional items	5	(28,745)	(34,298)
Add back tax expense/(credit) on exceptional items		5,303	(13,595)
Add fair value adjustments		9,454	7,546
Less tax credit on fair value adjustments		(1,744)	(6,007)
Add back non-cash interest		(1,447)	-
Less back tax expense/(credit) on non-cash interest		268	-
Adjusted profit for the period attributable to the parent shareholders		**73,452**	**47,613**

Shares in issue at 31 December 2015

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

8. BUSINESS COMBINATIONS

On 26 February 2015, Figgs Topco Limited acquired 100% of the voting shares of Ibstock Group Limited and its subsidiaries, and Glen-Gery Corporation and its subsidiaries for consideration totalling £377,962,000. The entities acquired specialise in the manufacture of clay and concrete building products in the UK and in the North East and Mid West regions of the US. As disclosed in Note 1, a prior year adjustment has been made to amend the acquisition balance sheet to incorporate a deferred taxation liability of £8,453,000. This has

resulted in a restated negative goodwill arising on acquisition of £115,738,000. All other book and fair values of the net assets acquired and liabilities assumed, are now final and are unchanged.

Assets acquired and liabilities assumed:

The final fair value of the identifiable assets and liabilities of the acquired operations as at the date of acquisition were:

	Fair value recognised on acquisition
	£'000
Assets	
Customer contracts and relationships	87,600
Brands	45,400
Property, plant and equipment	349,947
Inventories	89,518
Trade and other receivables	80,408
Cash and cash equivalents	7,465
Total assets	**660,338**
Liabilities	
Trade and other payables	(67,932)
Derivative financial instruments	(508)
Current tax liabilities	(408)
Post-employment benefit obligations	(12,242)
Deferred tax liabilities	(71,226)
Provisions	(14,322)
Total liabilities	**(166,638)**
Total identifiable net assets at fair value	493,700
Negative goodwill arising on acquisition immediately recognised within the income statement	(115,738)
Purchase consideration transferred	377,962

The fair value of the trade and other receivables amounts to £80,408,000, which equates to a net amount of trade receivables. The gross amount due under contracts is £80,903,000 of which £495,000 is expected to be uncollectable.

The consideration paid in association with the purchase of the Ibstock Group of companies was based on a multiple of earnings and not an assessment of the fair value of the assets of the business. As there is considerable value associated with intangible assets that only arise in the consolidated financial statements, and our tangible assets reflect the current market demand for building products and production capacity, the fair value of the acquired net assets are in excess of the consideration paid, and therefore negative goodwill has arisen, which has been immediately taken to the income statement. There are no expected taxation consequences in relation to the negative goodwill recognised.

Provisions and contingent liabilities at fair value of £7,000,000 were recognised at the acquisition date resulting from various legal claims in the UK of £1,100,000, UK property risks of £3,300,000 and an environmental claim of £2,600,000 in the US. These fair values were provisional pending the receipt of final valuations of the potential liabilities. As at 31 December 2015, a final external valuation of the UK property risks has been received and the fair value increased from £3,300,000 to £7,850,000, and an internal valuation exercise identified increased US property risks of £151,000. Subsequent to the acquisition date, management has also received external legal advice that no liability in relation to the US environmental claim is required – resulting in a reduction in contingent liabilities of £2,600,000. Additionally, management identified a £2,151,000 liability in respect of employee compensation previously recognised as a post-acquisition exceptional period cost. The related deferred taxation liability uplift of these final fair value adjustments is £210,000. As at the reporting date, all other fair values were determined to remain as originally determined at the acquisition date.

Purchase consideration	£'000
Initial cash consideration	312,853
Pension contribution	60,000
Contingent land proceeds	1,109
Contingent pension tax benefit	4,000
Total consideration	**377,962**

As part of the acquisition, the Group agreed to make a one-off contribution of £60.0m to the Ibstock Brick Limited pension scheme on completion of the transaction. As the transaction was conditional on the contribution being made the payment cannot be separated from the business combination and therefore in accordance with IFRS 3, is treated as part of the acquirer's consideration paid for the business. The post-employment benefit obligation includes this £60.0m contribution.

Additionally, in accordance with the share sale agreement (SSA), half of any tax relief, over a contracted amount, received by the acquired business as a result of the one-off pension payment, shall be payable to the seller. The fair value of the future obligation was estimated at £4,000,000, with a range being nil to £4,000,000.

As part of the purchase agreement with the previous owner of the acquired operations, half of all proceeds above a contracted amount, received by the acquired business on the sale of certain land assets in the future, shall be payable to the seller. Sale of land assets is in the control of the Group and accordingly is recognised in equity. Contingent consideration was recognised in relation to this, based on management's best estimate of £1,109,000 from an estimated range of nil to £3,800,000.

Transaction costs in relation to the acquisition of £9,392,000 were expensed and included within administrative expenses in the prior period.

From the date of acquisition, the acquired operations contributed £358,331,000 of revenue and £96,004,000 to profit before taxation of the Group. If the combination had taken place at the beginning of the financial statement period, revenue would have been £438,435,000 and profit before taxation of the Group would have been £80,383,000. To provide the users of the accounts with a comparable view of performance, we have analysed below the performance of the acquired entities from 1 January 2015 to 31 December 2015. The information for this period has been adjusted to include the impact of the fair value exercise and new financing structure as if it had been in place since the start of the period. The period ended 31 December 2014 has been included as comparative information, but has not been updated for the impact of the fair value exercise or financing structure following the acquisition.

As disclosed in the 2015 Annual report and accounts, we have provided information to provide the users of the accounts with a comparable view of performance for 2014 and 2015. We have analysed below the performance of the acquired entities from 1 January 2015 to 31 December 2015. The information for this period has been adjusted to include the impact of the fair value exercise and new financing structure as if it had been in place since the start of the period. The period ended 31 December 2014 has been included as comparative information, but has not been updated for the impact of the fair value exercise or financing structure following the acquisition.

	2015 (restated) £'000	2014 £'000
Revenue	412,828	373,233
Cost of sales before exceptional items	(255,035)	(255,333)
Gross profit before exceptional items	157,793	117,900
Exceptional cost of sales	(15,977)	-
Gross profit	**141,816**	**117,900**
Distribution costs	(34,108)	(34,601)
Administrative expenses before exceptional items	(44,841)	(37,922)
Other administrative exceptional items	(24,329)	(5,355)
Net administrative expenses	(69,170)	(43,277)
Negative goodwill on acquisition	115,738	-
Profit / (loss) on disposal of property, plant & equipment	(1,399)	492
Other income	3,474	3,709
Other expenses	(816)	(1,051)
Operating profit	**155,535**	**43,172**

EBITDA before exceptional items	**107,014**	**64,993**
Less/Add exceptional items	75,432	(5,355)
Less/Add profit/(loss) on disposal of property, plant and equipment	(1,399)	492
Less Depreciation and amortisation	(25,512)	(16,958)
Operating profit	**155,535**	**43,172**

9. Notes to the group cash flow statement

Cash flows from operating activities	Year ended 31 December 2016 £'000	Period ended 31 December 2015 £'000
Profit before taxation	110,861	86,252
Adjustments for:		
Depreciation of property, plant and equipment	19,356	15,885
Amortisation of intangible assets	6,555	5,439
Negative goodwill on acquisition	-	(115,738)
Unwind of inventory fair value	-	15,977
Net finance costs	3,085	68,943
(Gain)/loss on disposal of property, plant and equipment	(625)	1,403
Other	(1,054)	118
Share based payment	1,526	1,199
Deferred income	(215)	(179)
Curtailment gain	(30,317)	-
Post-employment benefits	(3,676)	(1,556)
	105,496	**77,743**
(Increase) in inventory	(320)	(8,989)
(Increase)/decrease in debtors	(309)	19,543
(Decrease)/increase in creditors	(101)	3,123
Increase in provisions	39	147
Cash generated from operations	**104,805**	**91,567**

10. POST EMPLOYMENT BENEFITS

Analysis of movements in the net obligation during the period:

	31 December 2016 £'000
Funded plan at 31 December	
Opening balance	**331**
(Income) / Charge within labour costs and operating profit	(9,362)
Curtailment gain	30,317
Interest (income)/expense	764
Remeasurement (loss)/gain recognised in the statement of comprehensive income	(66,896)
Pension scheme surplus restriction recognised in the statement of comprehensive income	(5,877)
Contributions	22,038
Carried forward at 31 December	**(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.

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 period resulting in the gain on scheme assets. 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.

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.

Multi-employer scheme

The Group participates in two multi-employer defined benefit pension schemes, being Aluminium, Brick and Glass Workers International Union "AB&GW" and National Integrated Group Pension Plan "NIGPP", which are both held in the United States. As the Group is unable to identify its share of the assets and liabilities for these schemes as insufficient information is available on which to calculate this split (as confirmed with the schemes actuaries), they are accounted for on a defined contribution basis. The charge for the year to December 2016 is £397,000. The Group is not liable for any other contributing entities within either scheme. For exit from the schemes by the Group at the most recent actuarial valuation, it was estimated that the withdrawal liability for the schemes equalled £18,346,000 (2015: £13,981,000) and £1,836,000 (2015: £1,281,000) for the AB&GW and NIGPP, respectively, although management currently do not have any plans on withdrawing from either scheme.

In total, the AB&GW plan has a deficit as at 31 December 2016 of £21,284,000 (2015: £19,287,000). The contribution rates agreed to be paid by the Group include an element of rehabilitation funding with respect to the total plan deficit. For this scheme, the arrangements gives rise to a present obligation and as such a liability has been recognised of £9,389,000 (2015: £8,007,000) for future committed contribution amounts as at 31 December 2016, with an associated recognised deferred tax asset of £3,727,000 (2015: £3,052,000). Based on the contribution rates and total withdrawal liability for the NIGPP plan, management have determined any present obligation arising from the plan is immaterial.

11. RELATED PARTY TRANSACTIONS

	Transaction amount	
	Year ended 31 December 2016	Period ended December 2015
	£'000	£'000
Purchase of services:		
Bain Capital Partners LLC	-	8,995

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 sales, Bain Capital Partners LLC holds 150,200,435 ordinary shares representing approximately 37.0% of the entire issued share capital. As at 31 December 2016 the board of directors of the company, consider, based on the facts and circumstances, that Bain Capital Partners LLC continues to have significant influence over, but does not control, the Group.

In the period ended 31 December 2015:

Diamond (BC) S.a.r.l owned a majority shareholding of the group prior to completion of the IPO transaction. Diamond (BC) S.a.r.l., a wholly owned subsidiary of Bain Capital Partners LLC, was therefore the immediate parent of the group and Bain Capital Partners LLC was the ultimate parent and ultimate controlling party of the group prior to the IPO transaction. On 27 October 2015, its shareholding

reduced to 53.03% and on 4 November 2015, its shareholding reduced to 47.03% following the exercise of an over-allotment option in respect of 24,330,000 ordinary shares.

Subsequent to 4 November 2015 and as at 31 December 2015 the board of directors of the company, consider, based on the facts and circumstances, that Diamond (BC) S.a.r.l. has significant influence over but does not control the group.

The shareholder loan notes and preference shares held by the Group during the period were owed to Diamond (BC) S.a.r.l, a subsidiary to Bain Capital Partners LLC and were converted to ordinary shares. The preference shares held by Diamond (BC) S.a.r.l and converted to ordinary shares. There are no balances with Bain Capital Partners LLC at the period end date.

During the period Figgs Topco Limited issued 10,000,000 A shares to Diamond (BC) S.a.r.l (wholly owned by Bain Partners LLC). Additionally, on Ibstock plc issued 50,000 ordinary shares on incorporation to Diamond (BC) S.a.r.l (wholly owned by Bain Partners LLC). A shares were converted as part of the group reorganisation during the year.

Transactions with related parties during the period also include management subscriptions for shares of £0.6 million.

During the prior period an interest free loan totalling £346,000 was outstanding from a UK director of a UK subsidiary company that was provided for relocation purposes. This was paid back before the prior year end.

12. DIVIDENDS PAID AND PROPOSED

	Year ended 31 December 2016	Period ended December 2015
	£'000	£'000
Declared and paid during the period		
Equity dividends on Ordinary Shares:		
Final dividend for 2015: 4.4 pence	17,869	-
Interim dividend for 2016: 2.4 pence (2015: nil)	9,746	-
	27,615	-
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2016: 5.3 pence (2015: 4.4 pence)	21,500	17,800
	21,500	17,800

The directors are proposing a final dividend in respect of the financial period ended 31 December 2016 of 5.3 pence per ordinary share (2015: 4.4 pence) which will distribute an estimated £21,500,000 (2015: £17,800,000) of shareholders' funds. It will be paid on 9 June 2017 to those shareholders who are on the register at 12 May 2017 subject to approval at the Group's Annual General Meeting.

13. POST BALANCE SHEET EVENTS

Along with the proposed dividend (see note 12), the Group refinanced its debt arrangements in March 2017. On 3 March 2017, the Group entered into a £250 million Revolving Credit Facility ('RCF') with a group of six banks. The five-year facility contains covenant limits in line with those of the debt in place at 31 December 2016. An additional non-cash charge of £6.4 million in respect of acceleration of related debt costs and adjustments to interest on the basis of amortised cost will crystallise as a result of the refinancing in March 2017.

Since the balance sheet date no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified.