

Ibstock plc

Interim results for the six months ended 30 June 2022

**Strong first half performance gives confidence for the full year;
good further progress with strategic initiatives**

Ibstock plc ("Ibstock" or the "Group"), a leading UK manufacturer of clay bricks and concrete products and solutions, announces its results for the six months ended 30 June 2022.

Statutory results

Six months ended 30 June	2022	2021	Change	%
Revenue	£259m	£202m	+£57m	+28%
Profit before taxation	£51m	£39m	+£12m	+32%
EPS	10.0p	2.7p	+7.3p	>100%
Interim dividend per share	3.3p	2.5p	+0.8p	+32%

Adjusted results¹

Six months ended 30 June	2022	2021	Change	%
Adjusted EBITDA	£71m	£55m	+£16m	+29%
Adjusted EPS	11.3p	7.9p	+3.4p	+43%
Adjusted free cash flow	£30m	£23m	+£7m	+29%
Net debt	£36m	£53m	£18m lower	33% lower
Return on Capital Employed	19.8%	14.2%	+560 bps	+39%

Financial highlights

- Strong first half performance, despite industry-wide inflation and supply chain challenges, resulting in robust profit and cash generation, and giving confidence for the full year
 - Robust demand in new build residential, RMI and infrastructure markets
 - Continued strong operational performance, with consistent network reliability and tight focus on cost management
- Revenue increased by 28% to £259 million (2021: £202 million), with strong volume growth supported from inventories, alongside material pricing benefit
- Adjusted EBITDA¹ up 29% to £71 million (2021: £55 million), with growth driven principally by clay performance, reflecting a mid-single digit volume increase and good margin management
- Adjusted EBITDA¹ margins of 27.3% were 20bps ahead of the prior year (2021: 27.1%) despite significant variable cost inflation and after £1.5 million of operational investment in Ibstock Futures and £4 million one-off cost of living charge
- Statutory profit before tax of £51 million (2021: £39 million) reflects strong first half trading performance
- Return on Capital Employed (ROCE)¹ increased by 560bps to 19.8% (2021: 14.2%), approaching Group's medium-term target of 20%
- Interim dividend increased by 32% to 3.3p per share (2021: 2.5p), reflecting the strong performance and the Board's confidence in the Group's prospects

Strong momentum into H2 2022

- Trading in the early weeks of the second half remains encouraging, with resilient demand across end markets
- Backed by strong forward order visibility, we expect good year on year progress in H2, despite capacity slightly below H1 due to phasing of planned shutdowns and some inventory rebuild
- Expect to maintain tight control of costs, and retain our dynamic pricing strategy against a backdrop of ongoing cost inflation
- Energy price risk well mitigated with over 90% of energy requirements for H2 2022 now secured and approaching 50% secured for 2023
- While mindful of broader macroeconomic uncertainties, the Board now expects to deliver adjusted EBITDA¹ for 2022 modestly ahead of the expectations signalled at the time of the AGM statement in April

Increasing confidence in the Group's longer term potential

- Strong trading in H1 2022 demonstrates organic growth momentum towards the Group's stated targets of revenues >£600m and adjusted EBITDA¹ margin of at least 28% by 2026
- UK construction markets remain solidly underpinned over the medium-term, with a structural housing deficit, healthy mortgage availability and supportive government policy
- Strategic growth initiatives progressing well:
 - Capital enhancement projects in clay business now complete – network capacity increased by 5% in line with expectations
 - Atlas and Aldridge investment on track and now expected to deliver annualised EBITDA¹ of £18 million (50% above previous expectations) on capital cost of up to £75 million, representing improvement vs original ROCE¹ target
 - Continued focus on ESG agenda with set of interim targets and factory-level plans being established to drive progress against our new strategic goals
- Istock Futures continues to invest in leadership, innovation and commercial capability and is progressing organic and inorganic initiatives to accelerate the Group's entry into fast growth construction product, solution and technology markets; further bolt-on acquisitions under review
- Balance sheet remains strong, with leverage below the bottom end of the target range, after £11 million of growth investments during H1 2022 and £6 million spent on buying back shares

Joe Hudson, Chief Executive Officer, commented:

"I am very pleased with the Group's first half performance, delivering profit and cash both significantly ahead of the prior period, supported by sustained robust demand across all our end markets and good operational execution.

"We continue to manage inflation and supply chain pressures well and are making good progress with our strategic development plans, with investments in new capacity progressing well, and good momentum in Istock Futures, as we focus on the delivery of our ambitious medium term financial targets.

"Our market backdrop remains encouraging in the early weeks of the second half - demand is firm, asset utilisation is high and industry inventories remain low – and the strong first half performance gives us confidence in the full year outcome. We have a clear strategy based on both core and diversified growth and will continue to apply our dynamic and disciplined approach to capital allocation.

"While we remain mindful of the broader macroeconomic uncertainties, the Board now expects to deliver adjusted EBITDA¹ for the full year modestly ahead of the expectations signalled in April."

¹ Alternative Performance Measures are described in Note 3 to the results announcement

Results presentation

Istock is holding a presentation at 10.30 today at 54 Hatton Garden, London, EC1N 8HN.

Please contact ibstock@citigatedewerogerson.com to register your in-person attendance.

A live webcast of the presentation will be available.

Please register [here](#) for the live webcast of the presentation.

The presentation can also be heard via a conference call, where there will be the opportunity to ask questions.

Conference Call Dial-In Details: UK: +44 (0)330 165 4012
 US: +1 323-701-0160

Confirmation code: 7335679

An archived version of today's webcast analyst presentation will be available on <http://www.ibstockplc.com> later today.

Ibstock plc

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About Ibstock plc

Ibstock plc is a leading UK manufacturer of clay bricks and a diversified range of clay and concrete products and solutions. Its principal products are clay bricks, brick components, concrete roof tiles, concrete alternatives for stone masonry, concrete fencing and pre-stressed concrete products.

The Group's two divisions are:

Ibstock Clay: The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 16 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 18 active quarries located close to its manufacturing plants. Ibstock Kevington provides masonry and pre-fabricated component building solutions, operating from 6 sites across the United Kingdom.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and general concrete building products, with 14 manufacturing plants in the United Kingdom.

Forward-looking statements

This announcement contains "forward-looking statements". These forward-looking statements include all matters that are not historical facts and include statements regarding the intentions, beliefs or current expectations of the directors. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and outside of the Group's ability to control. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, the Group undertakes no obligation to update or revise publicly any forward-looking statements.

Chief Executive's Review

Introduction

I am very pleased to report a strong performance for the first half of the year, with both profit and cash significantly ahead of the prior period. Trading was robust, supported by strong demand across our new build residential, Repairs, Maintenance and Improvement (RMI), and infrastructure markets, alongside solid operational execution. While industry supply chains remained challenging and inflationary pressures intensified during the period, the business has continued to manage these challenges well.

Looking forward, our markets remain solidly underpinned over the medium-term, with a structural housing deficit, healthy mortgage availability and supportive government policy. Industry brick inventories remain at historically low levels, with the market having to rely on imported bricks due to the constraints on UK capacity. Overall, having made a strong start to 2022, the robust operational backdrop provides confidence in achieving our ambitious medium term targets.

The Group also made good further progress across all three of its strategic pillars: Sustain; Innovate; and Grow.

Across the Group, commercial performance was strong, with both volume and price contributing to significant year on year revenue growth. Consistent reliability and efficiency was achieved across the plant network, with output in line with expectations, despite experiencing some supply chain challenges, particularly in the early part of the period. We saw significant variable cost inflation, particularly in energy, materials and freight, and have been successful in recovering this fully through increases in selling price.

Our investment in the redevelopment of our wire-cut clay brick facilities in the West Midlands remains on track, with commissioning expected from the end of 2023. When complete, the new state-of-the-art factory at our Atlas site will manufacture the UK's first net-zero carbon bricks. We are now well progressed with the tendering and procurement programme for the project and have continued to develop our operational plans for the factories. We now expect the project to deliver significantly higher annualised adjusted EBITDA¹ of £18 million from 2025 (compared to £12 million initially) with a capital cost of up to £75 million (compared to £60 million initially), representing an improved ROCE¹ compared to the original project target.

Ibstock Futures continued to build momentum as we invested in the strength and capability of the core team, whilst making good progress in developing the pipeline of both organic and inorganic growth initiatives. We completed a small asset acquisition in January 2022 providing a strong position within glass reinforced concrete (GRC) panel technology, supplied into a wide range of façade applications. We also continued to make progress towards the development of our new brick slip systems factory in Nostell, Yorkshire. Futures remains focused on accelerating the Group's entry into a number of fast-growth product, solution and technology markets created by the evolution of the construction sector.

Our commitment to environmental sustainability and social progress represents a strong unifying cause for everyone at Ibstock. We maintained focus on all areas of our ESG agenda during the first half, with the new strategic framework and targets announced in late 2021 providing a pathway to reduce carbon emissions by 40 per cent by 2030, against a 2019 baseline, and be net zero carbon by 2040. A central pillar of our social agenda is our commitment to develop and support our people, and to maintain a strong workforce with the capability to deliver our strategic objectives for the long term. In response to the challenges our colleagues are facing with the sharply elevated costs of living, we have committed to make a one-off payment to those employees most heavily impacted during the second half of the 2022 year, representing a total cost of around £4 million recognised during the first half.

In line with our dynamic capital allocation framework, we initiated a £30 million share buyback during the first half of 2022, purchasing around three and a half million shares by 30 June 2022. In light of our strong performance, and the Board's confidence in the Group's position and prospects, we have increased the interim dividend by 32% to 3.3p per share (2021: 2.5p).

As we set out in March 2022, our strong financial position, which is supported by significant ongoing cash generation, provides us with a platform to deliver attractive growth and shareholder returns into the future.

Financial Performance

The results for the first half year demonstrate a marked improvement on the same period in the prior year, with all of our key financial metrics showing significant progress. Sales of £259 million were 28% up on 2021 (£202 million) and materially ahead of the pre-COVID performance reported in 2019, as the Group benefitted from a combination of robust demand and strong commercial execution. Industry-wide supply chain challenges were well managed and we continued to mitigate the impact of inflationary pressures on our cost base through a dynamic commercial approach in both divisions. Adjusted EBITDA¹ grew 29% to £71 million (2021: £55 million), primarily as a result of the strong performance in the Clay division.

Adjusted EBITDA¹ margins of 27.3% were ahead of the prior year (2021: 27.1%), reflecting good cost management and the benefits of our dynamic pricing approach. Statutory earnings per share rose by 7.3 pence to 10.0 pence (2021: 2.7 pence).

Our balance sheet remains strong, with net debt reduced to £36 million (June 2021: £53 million; December 2021: £39 million). Reflecting good progress against our strategic objectives, we invested £11 million in growth initiatives in the period, and expect capital expenditure to accelerate during the second half, bringing full year growth capital expenditure closer to our original expectation of around £50 million.

Leverage at 30 June 2022 was below the bottom end of our target range, reflecting the robust trading performance and good working capital management, with net debt to adjusted EBITDA¹ of 0.3 times (30 June 2021: 0.6 times).

Return on Capital Employed¹ (ROCE) increased by 560 bps to 19.8% (2021: 14.2%), approaching our medium-term target of at least 20%.

Divisional Review

Ibstock Clay

Core business

Our core Clay business had a strong first half, with very good execution against a backdrop of continued robust demand. Consistent reliability and efficiency across the plant network meant that we achieved the anticipated increase in network output in line with our expectations, with fixed costs well controlled in the context of the inflationary backdrop. Sales volumes increased by mid-single digits compared to the comparative period, reflecting strong factory output and some draw down on inventories during the period. The division continued to benefit from the actions taken to reduce its fixed cost base in the second half of 2020.

Supply chain conditions remained challenging, although the business continued to mitigate these issues effectively with limited impact on operational performance. Significant inflation across the key variable cost areas of energy, freight, carbon and materials was recovered by selling price increases, with in-year energy price inflation addressed through a dynamic quarterly pricing approach.

Divisional revenue grew by 34% to £186 million in the first half (2021: £138 million), with volume growth in every major channel. Adjusted EBITDA¹ totalled £64 million in 2022, (2021: £47 million), reflecting strong sales volumes, firm pricing and good cost management.

Adjusted EBITDA margins in Clay were 34.7%, ahead of the comparative period (H1 2021: 34.1%). The current period included a charge of around £2.5 million relating a one-off cost of living payment.

Ibstock Futures

In November 2021 the Group announced the formation of Ibstock Futures (“Futures”), a business unit established to capture opportunities in new, fast growth sectors of the construction market.

The development of Futures is progressing well under the leadership of its Managing Director, Jeremie Rombaut, and the business is continuing to build strength and capability in its team. In early 2022, Futures acquired the assets of Telling GRC, a small specialist in glass reinforced concrete (GRC) panel technology. The integration of this business into the Group is progressing well and first half performance was in line with our expectations.

We remain focused on accelerating the Group’s penetration into a number of fast-growth product, solution and technology markets created by the evolution of the construction sector, and continue to progress a number of attractive organic and inorganic growth projects. Having completed the Telling GRC asset acquisition, Futures’ pipeline of M&A opportunities has continued to build, with a range of potential targets under review that have the ability to accelerate the business’ development and entry into attractive niche market segments. Our project to use existing clay reserves to produce a cementitious replacement continue to progress well, and we expect to move from the research to development phase during the second half of the 2022 year.

Demand in the brick slips market continues to build, underpinning the opportunity for Futures in what will be a key product category for the business as it develops its strong pipeline of commercial opportunities. In light of the encouraging near term demand outlook, we are actively exploring ways to accelerate our network capacity build for brick slips ahead of the Nostell factory coming on stream.

We continue to expect operational investment of around £4 million in 2022 within Ibstock Futures, with around £1.5 million incurred in the first half as the business invested in research and development, and in building in-house innovation and commercial capability.

Ibstock Concrete

Concrete delivered a solid performance in the first half as it continued to benefit from its exposure to a broad range of residential and infrastructure markets, and resilient demand for its products.

Divisional revenue in the period grew by 16% to £74 million (2021: £64 million), driven by a material pricing benefit. Overall, sales volumes were in line with the comparative period, as growth within fencing, walling and rail infrastructure was offset by lower volumes of roof tiles, as operational challenges held back output at our roof tile factory in Leighton Buzzard.

Adjusted EBITDA¹ totalled £11 million in 2022, (2021: £12 million), with adjusted EBITDA¹ margins of 15.3% below the comparative period (H1 2021: 18.5%). This reduction reflected incremental costs of around £1 million in our roofing factory and the divisional impact of the one-off cost of living payment totalling around £1.5 million. We expect the concrete adjusted EBITDA¹ margin percentage to move towards our medium-term ambition for the division during the second half.

Strategic Update

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

Set against this ambition, at the beginning of 2022 we announced a set of medium-term financial targets:

- Grow Group revenues to in excess of £600 million by 2026
- Medium term profitability targets:
 - Adjusted EBITDA¹ Margins in Clay business of >35%
 - Overall Group margins of at least 28%
- Revenues outside of traditional clay brick to represent >40% of the Group (from c.30% in 2021)
- Retaining our capital discipline with ROCE¹ of >20% into the medium term

We expect the construction market to continue to evolve, adopting more sustainable and industrialised processes, practices and products. We are focused on ensuring that we maximise our opportunities in this developing market, which we believe will drive longer term growth and strong financial performance for the Group.

Our operational strategy is defined across three pillars: Sustain, Innovate and Grow. These are detailed further below.

Sustain

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

Health and safety: The health, safety and wellbeing of our employees is always our first priority and our six safety rules guide our actions and behaviours across the enterprise.

In the period, we delivered further improvements in all areas of our health and safety roadmap, with particular emphasis on safety procedures for contractors, and the embedding of enhanced safety practices into our quarry locations. The Group is on track to meet its 2023 target of a 50% reduction in Lost Time Injury Frequency Rate (“LTIFR”) with a further reduction achieved in the first half.

Whilst continuing to prioritise physical health and safety at all locations, we are also increasing our focus on the promotion of mental health and wellbeing across our organisation, with a number of important developments during the first half of the year. We rolled out a comprehensive programme of workshops to upskill all managers, ran our first enterprise campaign to coincide with Mental Health Awareness Week in May 2022, and established a network of Health & Wellbeing working groups across the business.

Overall, we remain committed to driving our business to zero harm for everyone.

Operational excellence

The Group’s operational performance was robust during the first half of 2022 as we benefitted from the full commissioning of our capital enhancement projects at the SM2, Laybrook and Ellistown factories. These projects, which are now completed, have added 5% to the clay network capacity. We also continued to enhance our preventative maintenance programme across all sites, which is central to ensuring the efficient, long run performance of our networks.

Environmental performance

Having announced our 2030 ESG Strategy during the first half, momentum has gathered pace across the Group. Across our businesses, at an individual site level, our teams have been working to establish actionable plans which will deliver our targeted 40% carbon reduction by 2030 against the 2019 baseline.

While carbon reduction is the most material positive environmental impact Istock can make, we remain committed to reducing the impacts of our operations on the environment, more generally and we were pleased to deliver a substantive reduction in plastic usage during the period, now down by greater than 30% compared with 2019.

Innovate

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

Product innovation

As market leader in clay and concrete products, we have the broadest range of products and systems available in the UK, and we continue to invest to enhance our proposition. A number of new products were launched during the period including: Fire Rated Lintels within our Concrete division, which offer superior safety qualities; and our new Rāmian Range within the Clay division, which has been designed to meet the growing demand for heritage and reclaimed style soft mud bricks with natural colours and textures.

In support of our carbon reduction ambitions, product innovations during the period at two key brick factories have enabled us to reduce raw material consumption without affecting product technical or aesthetic performance. These innovations, focused on perforation size and configuration, which have reduced over 1,000 tonnes of carbon, will be rolled out across other parts of our network in the months ahead.

Customer experience

We continue to find ways to enhance the experience of our customers at every stage of their engagement with us. Against a backdrop of global supply chain challenges, we have taken steps to strengthen our nationwide distribution capability through the addition of new haulage partners to our distribution fleet. In addition to improving the service for our customers, this diversification has reduced execution risk across our business.

Alongside this change, we have significantly upgraded our order management and delivery scheduling processes, to drive down order cancellation rates, whilst providing greater certainty for customers.

Digital transformation

The digitalisation of our business will be a key strategic enabler over the coming years as we look to drive an increasing proportion of our sales activity through digital channels. The digital sales platform trialled last year in parts of our Concrete division is being scaled up across many other product categories across the whole business later this year, driving greater automation of order management and order fulfilment for our customers.

Grow

The Group's growth strategy is based on a combination of continued development of its core business and effective diversification into attractive new segments of the construction market. The strategy is being supported by targeted investment projects and acquisitions which create value and accelerate delivery.

Investment in the core

Within the Clay business, our enhancement projects are now complete, ensuring that clay network capacity increased by 5%, in line with our expectations. The Atlas and Aldridge redevelopments are on track to be commissioned from the end of 2023, which will collectively increase capacity by around 115 million bricks. The commissioning of the Atlas facility will mark a key milestone for Ibstock and the industry, as the UK's first net-zero brick factory.

Diversified growth

The formation of Ibstock Futures provides a focus for our strategic aspirations to grow through the introduction of products, solutions and technology, designed to support, and benefit from, the megatrends of sustainability and the industrialisation of construction methods. With a strong team in place, and a clear pipeline of attractive growth opportunities, we are well placed to take a leadership position in fast growing sectors of the construction market.

People

Our people will always be our most important asset, and as an organisation, we are seeking to create a culture driven by performance and led by our values. Developing our people is of vital importance, and during the period we introduced an enterprise learning hub through which all our people across the business can access training spanning a wide range of content.

We are passionate about fostering an inclusive culture through which our people feel trusted, valued and empowered. We are also committed to promoting diversity, in all its forms, and have, in recent months, introduced a diversity charter and upskilled our leaders across the business through the provision of diversity training.

Summary and outlook

The business performed strongly in the first half despite industry-wide supply chain and inflationary challenges, delivering a significantly improved year-on-year result. This performance was underpinned by solid operational execution, and a clear focus on the strategic priorities necessary to achieve our ambitious medium term financial targets.

Looking ahead, industry fundamentals remain robust, with strong near-term demand, high levels of asset utilisation and low product inventories. We have a clear strategy based on both core and diversified growth initiatives, underpinned by our strong financial position and dynamic approach to capital allocation.

Trading in the early weeks of the second half has remained encouraging, and this positive momentum provides us with a strong platform to deliver significant further financial and strategic progress. Given this momentum and our strong forward order visibility, we expect good year on year progress in H2, despite capacity being slightly lower than in H1 due to the seasonal weighting of planned factory shutdowns to the second half as well as the plan to build back inventory levels.

Whilst we remain mindful of the broader macroeconomic uncertainties, the Board now expects adjusted EBITDA¹ for 2022 to be modestly ahead of the previous expectations signalled at the time of the AGM trading statement in April.

¹ Alternative Performance Measures are described in Note 3 to the results announcement

Chief Financial Officer's report

Introduction

The Group delivered a strong trading performance in the first six months of 2022, reflecting both robust market demand and solid operational performance. The dynamic commercial approach taken in both the Clay and Concrete divisions was successful in recovering significant cost inflation. A continued intense focus on cost management ensured that Group adjusted EBITDA¹ margin percentage was ahead of the prior year on a materially higher top line, and after around £1.5 million of incremental operational investment in Ibstock Futures.

The Group also delivered an excellent cash flow performance, reflecting strong trading and disciplined capital management. This performance was instrumental in strengthening further the Group's balance sheet, with closing net debt¹ of £36 million at 30 June 2022 representing leverage¹ of 0.3 times (2021: 0.6 times).

As part of our dynamic and disciplined capital allocation strategy, as well as completing a small bolt-on asset acquisition in the period, we initiated a share buy-back which is expected to return £30 million to shareholders during the 2022 year. With our strong financial position, and inherently cash generative business, we expect to have significant further cash available to support growth investment and shareholder returns over the medium-term.

Climate Change & TCFD

We have an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and to lead our sector in the disclosure and transparency around Environmental, Social and Governance (ESG) issues. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a reduction in the carbon intensity of our manufacturing processes. Our new strategic framework and targets announced in late 2021 provide a pathway to reduce carbon emissions by 40 per cent by 2030, against a 2019 baseline, and be net zero carbon by 2040. We continue to actively monitor the transitional and physical risks of climate change through our risk management process.

Alternative performance measures

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

Group results

The table below sets out segmental revenue and adjusted EBITDA¹ for the year

	Clay	Concrete	Central costs	Total
	£'m	£'m	£'m	£'m
Six-month period ended 30 June 2022				
Total revenue	185.5	73.8	-	259.3
Adjusted EBITDA¹	64.4	11.3	(5.0)	70.7
Margin	34.7%	15.3%		27.3%
Six-month period ended 30 June 2021				
Total revenue	138.3	63.8	-	202.0
Adjusted EBITDA¹	47.2	11.8	(4.2)	54.8
Margin	34.1%	18.5%		27.1%

¹ Alternative Performance Measures are described in Note 3 to the results announcement

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

The activities of the new Ibstock Futures business unit have been reported within the Clay segment since this is the basis upon which performance is reported to the Chief Operating Decision Maker.

Revenue

Group revenue for the six months ended 30 June 2022 totalled £259.3 million (2021: £202.0 million), an increase of 28%. Performance reflected a robust trading environment, with strong demand across our new build residential, RMI and infrastructure markets, coupled with good commercial execution.

Within Clay, revenues of £185.5 million represented an increase of 34% on 2021 revenues of £138.3 million. Volumes increased by mid-single digits, modestly ahead of our expectations, supported by a small reduction in inventories. Material cost inflation was recovered through proportionate price increases, with in-year energy cost increases addressed through a dynamic quarterly pricing approach. The new Telling GRC business contributed revenue of around £2 million, and a breakeven adjusted EBITDA¹ result, during the first half.

Within Concrete, revenues of £73.8 million were 16% above the comparative period (2021: £63.8 million), as volume growth in the product categories of fencing, walling and rail infrastructure was largely offset by lower volumes of roof tiles. Overall, sales volumes were broadly in line with the comparative period, with a material price benefit largely mitigating double-digit year-on-year cost inflation.

Adjusted EBITDA¹

Management measures the Group's operating performance using adjusted EBITDA¹. Adjusted EBITDA¹ increased materially year on year to £70.7 million in 2022 (2021: £54.8 million).

Within the Clay division, adjusted EBITDA¹ totalled £64.4 million (2021: £47.2 million), representing an EBITDA¹ margin of 34.7% (2021: 34.1%). The adjusted EBITDA¹ increase over 2021 reflected a combination of significant volume and pricing benefits, combined with solid operational performance and disciplined cost management. The adjusted EBITDA¹ margin percentage grew by around 60 basis points, despite the impact of around £1.5 million of incremental operational investment within Ibstock Futures, and a charge of around £2.5 million relating to a one-off cost of living payment.

Adjusted EBITDA¹ in Concrete decreased to £11.3 million (2021: £11.8 million), with operational challenges affecting reliability and throughput at our roofing factory in Leighton Buzzard. Adjusted EBITDA¹ margins of 15.3% were below 2021 margins of 18.5%, reflecting slightly higher costs in roofing and the impact of the cost of living payment.

Central costs increased to £5.0 million (2021: £4.2 million), reflecting higher variable remuneration costs.

Exceptional items¹

Based on the application of our accounting policy for exceptional items¹, certain expense items have been excluded in arriving at adjusted EBITDA¹ to aid shareholders' understanding of the Group's underlying financial performance.

The amounts classified as exceptional¹ in the period totalled a net cost of £0.8 million (2021: gain of £5.4 million), comprising the final costs associated with the Group's closure of sites as part of its single co-ordinated restructuring plan. Further details of exceptional items¹ are set out in Note 5 of the financial statements.

Finance costs

Statutory net finance income of £0.1 million in the period compared to a cost of £2.0 million in the comparative period, reflecting reduced financing charges coupled with an interest credit arising on the increased discounting of provisions.

Profit before taxation

Group statutory profit before taxation for the period was £51.2 million (2021: £38.8 million), reflecting stronger trading.

Taxation

The Group recorded a taxation charge of £10.4 million (2021: £27.9 million) on Group pre-tax profits of £51.2 million (2021: £38.8 million), resulting in an effective tax rate (ETR) of 20.3% (2021: 71.7%) compared with the standard rate of UK corporation tax of 19%. The 2021 statutory tax charge and ETR reflected the restatement of the Group's net deferred tax liabilities following the rate change announced in the 2021 Budget that will see the standard rate of UK corporation tax increase from 19% to 25% from 1 April 2023.

The adjusted ETR¹ (excluding the impact of the deferred tax rate change) was 17.4% (2021: 17.6%), which included the permanent benefit of the UK tax super-deduction on qualifying capital expenditure also announced in the 2021 budget.

Earnings per share

Group statutory basic earnings per share (EPS) increased significantly to 10.0 pence in the six months to 30 June 2022 (2021: 2.7 pence) principally because of the Group's increased profit before taxation and the materially lower statutory tax charge.

Group adjusted basic EPS¹ of 11.3 pence per share also increased significantly from 7.9 pence in the comparative period, reflecting the increased adjusted EBITDA¹ achieved in the year. In line with prior years, our adjusted EPS¹ metric removes the impact of exceptional items¹, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts, net of the related taxation charges/credits. Adjusted EPS¹ has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS¹ measure is included in Note 7.

Table 1: Earnings per share

	2022 pence	2021 pence
Statutory basic EPS – Continuing operations	10.0	2.7
Adjusted basic EPS ¹ – Continuing operations	11.3	7.9

Cash flow and net debt¹

Adjusted free cash flow¹ increased by £6.8 million in the year to £30.2 million (2021: £23.4 million) primarily reflecting the increase in adjusted EBITDA¹ compared to 2021, partly offset by increased capital spend on our growth investments, with the cash conversion cycle also continuing to benefit from the Group's strong focus on working capital management.

Tax payments in 2022 totalled £0.8 million (2021: £4.0 million), benefiting from the UK tax super-deduction claimed on qualifying capital expenditure. Other cash outflows of £8.0 million (2021: £4.6 million) included amounts totalling £4 million in respect of carbon emission credits purchased during the period (2021: £nil).

The Cash conversion¹ percentage increased to 69% (from 61% in 2021).

Table 2: Cash flow (non-statutory)

	2022	2021	Change
	£'m	£'m	£'m
Adjusted EBITDA ¹	70.7	54.8	16.0
Adjusted change in working capital ¹	(10.5)	(9.9)	(0.6)
Net interest	(1.6)	(1.9)	0.3
Tax	(0.8)	(4.0)	3.2
Post-employment benefits	(0.9)	(0.9)	-
Other ²	(8.0)	(4.6)	(3.4)
Adjusted operating cash flow ¹	49.0	33.5	15.5
Cash conversion ¹	69%	61%	+8ppts
Total capex	(18.8)	(10.1)	(8.7)
Adjusted free cash flow ¹	30.2	23.4	6.8

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

² Other includes operating lease payments in both years and emission allowances purchases in 2022

The table above excludes cash flows relating to exceptional items¹ in both years.

The increase in working capital¹ of £10.5 million in the first half reflected both the uplift in selling prices and inflation in unit costs, which increased the value of trade receivables and inventory respectively during the period.

Capital expenditure of £18.8 million in the period (2021: £10.1 million) comprised: sustaining spend of around £8 million; spend on the organic growth investments of around £10 million; and £1 million in respect of a small asset acquisition in Ibstock Futures. We expect capital expenditure to accelerate during the second half, bringing full year growth investments closer to our original expectation of around £50 million.

Net debt¹ (borrowings less cash) of £35.7 million at 30 June 2022 compared to £53.5 million at 30 June 2021 and £38.9 million at 31 December 2021, reflecting the continued benefit of strong operating cash flows throughout the first half.

Following the refinancing of our debt facilities in the final quarter of 2021, the Group has £100 million of private placement notes with maturities of between seven and twelve years at a total fixed coupon of just over 2% and a £125 million RCF with a group of five banks with an initial four year tenor (and a one year extension option). The RCF remained undrawn at 30 June 2022. This funding structure continues to provide efficient long-term financing at attractive rates of interest.

Return on capital employed¹

Return on capital employed¹ (ROCE) in 2022 increased materially to 19.8% (2021: 14.2%). The substantial improvement compared to the prior year reflected both a significant increase in adjusted operating profit, as well as a modest reduction in the capital base, as both working and fixed capital were well managed.

Capital allocation

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

Our capital allocation framework is set out below:

- Firstly, we will invest to maintain and enhance our existing asset base and operations;

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

Our framework remains underpinned by our commitment to maintaining a strong balance sheet, and we will look to maintain leverage at between 0.5 and 1.5 times net debt¹ to adjusted EBITDA¹ excluding the impact of IFRS 16, through the cycle.

As part of our disciplined approach to capital allocation, during the first half we announced a share buyback programme of up to £30 million. As at 30 June 2022, we had purchased 3.5 million shares for cash of around £6 million, representing around 20% of the programme.

We expect to deploy significant growth capital in the business during the balance of year and beyond, with a growing pipeline of both organic and inorganic opportunities. The Board continues to expect capital to be generated in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy.

Dividend

In light of the Group's financial position and prospects, an interim dividend of 3.3 pence per ordinary share (2021: 2.5 pence) will be paid on 13 September 2022 to shareholders on the register on 19 August 2022.

Pensions

At 30 June 2022, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £56.2 million (31 December 2021: surplus of £57.8 million; 30 June 2021: surplus of £42.5 million). At 30 June 2022, the scheme had asset levels of £475.1 million (31 December 2021: £618.0 million; 30 June 2021: £601.9 million) against scheme liabilities of £418.9 million (31 December 2021: £560.3 million; 30 June 2021: £559.4 million).

The slight reduction in balance sheet surplus over the period was primarily due to an increase in near-term levels of inflation, substantially offset by a reduction in the scheme liabilities arising from a higher discount rate, as detailed in Note 11.

A contribution level of £1.75 million per annum continues to apply, expected to increase to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024.

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

Related party transactions

Related party transactions are disclosed in Note 13 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

Subsequent events

Other than the interim dividend declared by the Directors there have been no events since the balance sheet date requiring disclosure or adjustment to these financial statements.

Going concern

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

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

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

Further information is provided in note 2 of the financial statements.

Principal Risks and Uncertainties

This section should be read in conjunction with the rest of this Half Year Statement as this provides further information concerning those important events that have occurred during the first six months of the financial year.

The Group's activities expose it to a variety of risks including climate change, material operational disruption, market uncertainty, anticipating product demand, financial risk management, regulatory and compliance, maintaining customer relationships and market reputation, people and talent management, product quality, cyber and information security, and major project delivery. The Board assesses and monitors the key risks impacting the business and an explanation of the Group's approach to risk management is set out in Ibstock plc's Annual Report 2021, a copy of which is available on the Group's corporate website, www.ibstockplc.co.uk.

Having completed the review of principal risks for the Half Year 2022, the Board has concluded that despite industry-wide inflation, supply chain challenges and broader macro-economic conditions, due to the Group's dynamic price management strategy and mitigation of energy price risk, the Group's existing principal risks and uncertainties remain unchanged from those set out in its 2021 Annual Report.

A full report on the Group's principal risks will be included with the FY 2022 annual report and accounts. The Board will continue to monitor the Group's principal risks during the remaining six months of the year, with a focus on financial risk management and major project delivery.

Statement of directors' responsibilities in relation to the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial reporting as contained in UK-adopted IFRS;
- The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board:

Joe Hudson
Chief Executive Officer
26 July 2022

Chris McLeish
Chief Financial Officer
26 July 2022

**Condensed consolidated income statement
for the six months ended 30 June 2022**

	Notes	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
		£'000	£'000	£'000
Revenue	4	259,313	202,041	408,656
Cost of sales before exceptional items		(158,728)	(130,041)	(267,662)
Exceptional cost of sales	5	(756)	3,501	3,495
Cost of sales		(159,484)	(126,540)	(264,167)
Gross profit		99,829	75,501	144,489
Distribution costs		(26,065)	(19,239)	(38,829)
Administrative expenses before exceptional items		(23,744)	(20,225)	(41,511)
Exceptional administrative items	5	-	(176)	(287)
Administrative expenses		(23,744)	(20,401)	(41,798)
Profit on disposal of property, plant and equipment before exceptional items		(73)	1,760	1,638
Exceptional profit on disposal of property, plant and equipment	5	-	2,036	2,022
Total profit on disposal of property, plant and equipment		(73)	3,796	3,660
Other income		1,353	1,348	2,524
Other expenses		(195)	(197)	(112)
Operating profit		51,105	40,808	69,934
Finance costs		(1,853)	(2,556)	(5,831)
Finance income		1,971	584	839
Net finance cost		118	(1,972)	(4,992)
Profit before taxation		51,223	38,836	64,942
Taxation	6	(10,415)	(27,863)	(33,129)
Profit for the financial period		40,808	10,973	31,813
Profit attributable to:				
Owners of the parent		40,808	10,973	31,813

	Notes	pence per share	pence per share	pence per share
Earnings per share				
Basic	7	10.0	2.7	7.8
Diluted	7	10.0	2.7	7.7

**Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2022**

	Notes	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
		£'000	£'000	£'000
Profit for the financial period		40,808	10,973	31,813
Other comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of cash flow hedges ²	10	468	-	(74)
Realised fair value losses transferred to property, plant and equipment ²		14	-	-
Related tax movements ²		(51)	-	14
		431	-	(60)
Items that will not be reclassified to profit or loss				
Remeasurement of post employment benefit assets and obligations ³	11	(2,543)	(1,741)	12,862
Related tax movements ³		637	1,127	(2,525)
		(1,906)	(614)	10,337
Other comprehensive (expense)/income for the period net of tax		(1,475)	(614)	10,277
Total comprehensive income for the period, net of tax		39,333	10,359	42,090
Total comprehensive income attributable to:				
Owners of the parent		39,333	10,359	42,090

Non-GAAP measure				
Reconciliation of adjusted EBITDA ¹ to Operating profit for the financial period:				
	Notes	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
Operating profit		51,105	40,808	69,934
Add back/(less) exceptional costs/(credit) impacting operating profit	5	756	(5,361)	(5,230)
Add back depreciation and amortisation		18,882	19,306	38,349
Adjusted EBITDA¹		70,743	54,753	103,053

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

² Impacting the cash flow hedging reserve.

³ Impacting retained earnings.

**Condensed consolidated balance sheet
as at 30 June 2022**

	Notes	Unaudited 30/06/2022 £'000	Unaudited 30/06/2021 £'000	Audited 31/12/2021 £'000
Assets				
Non-current assets				
Intangible assets		91,264	91,695	94,625
Property, plant and equipment		383,928	372,412	375,800
Right-of-use assets		26,479	26,311	25,114
Derivative financial instruments	10	130	-	-
Post-employment benefit asset	11	56,219	42,521	57,754
		558,020	532,939	553,293
Current assets				
Inventories		78,049	66,209	72,821
Trade and other receivables		93,383	82,241	64,756
Current tax receivable		111	-	3,199
Derivative financial instruments	10	278	-	-
Cash and cash equivalents		64,517	15,930	61,199
		236,338	164,380	201,975
Assets held for sale		875	-	875
Total assets		795,233	697,319	756,143
Current liabilities				
Trade and other payables		(124,583)	(99,112)	(103,132)
Borrowings	9	(424)	(372)	(333)
Lease liabilities		(6,701)	(6,285)	(6,860)
Derivative financial instruments	10	-	-	(74)
Current tax payable		-	(178)	-
Provisions		(1,209)	(2,755)	(1,869)
		(132,917)	(108,702)	(112,268)
Net current assets		104,296	55,678	90,582
Total assets less current liabilities		662,316	588,617	643,875
Non-current liabilities				
Borrowings	9	(99,753)	(69,024)	(99,738)
Lease liabilities		(21,297)	(22,113)	(20,324)
Deferred tax liabilities		(97,466)	(86,963)	(92,352)
Provisions		(7,008)	(8,224)	(8,232)
		(225,524)	(186,324)	(220,646)
Total liabilities		(358,441)	(295,026)	(332,914)
Net assets		436,792	402,293	423,229
Equity				
Share capital		4,096	4,096	4,096
Share premium		4,458	4,382	4,458
Retained earnings		804,942	763,496	785,609
Other reserves	12	(376,704)	(369,681)	(370,934)
Total equity		436,792	402,293	423,229

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2022

	Share capital	Share premium	Retained earnings	Other reserves (see Note 12)	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	4,096	4,458	785,609	(370,934)	423,229
Profit for the period	-	-	40,808	-	40,808
Other comprehensive expense	-	-	(1,906)	431	(1,475)
Total comprehensive income for the period	-	-	38,902	431	39,333
Transactions with owners:					
Share based payments	-	-	857	-	857
Deferred tax on share based payments	-	-	109	-	109
Equity dividends paid	-	-	(20,438)	-	(20,438)
Shares purchased - share buyback scheme (Note 12)	-	-	-	(6,298)	(6,298)
Issue of own shares held on exercise of share options	-	-	(97)	97	-
At 30 June 2022 (unaudited)	4,096	4,458	804,942	(376,704)	436,792
Balance at 1 January 2021	4,096	4,333	759,483	(370,041)	397,871
Profit for the period	-	-	10,973	-	10,973
Other comprehensive expense	-	-	(614)	-	(614)
Total comprehensive income for the period	-	-	10,359	-	10,359
Transactions with owners:					
Share based payments	-	-	295	-	295
Deferred tax on share based payments	-	-	11	-	11
Equity dividends paid	-	-	(6,547)	-	(6,547)
Issue of own shares held on exercise of share options	-	-	(105)	360	255
Issue of share capital on exercise of share options	-	49	-	-	49
At 30 June 2021 (unaudited)	4,096	4,382	763,496	(369,681)	402,293
Balance at 1 July 2021	4,096	4,382	763,496	(369,681)	402,293
Profit for the period	-	-	20,840	-	20,840
Other comprehensive income	-	-	10,965	(74)	10,891
Total comprehensive income for the period	-	-	31,805	(74)	31,731
Transactions with owners:					
Share based payments	-	-	595	-	595
Deferred tax on share based payments	-	-	24	-	24
Equity dividends paid	-	-	(10,233)	-	(10,233)
Purchase of own shares	-	-	-	(1,309)	(1,309)
Issue of own shares held on exercise of share options	-	-	(78)	130	52
Issue of share capital on exercise of share options	-	76	-	-	76
At 31 December 2021 (audited)	4,096	4,458	785,609	(370,934)	423,229

**Condensed consolidated cash flow statement
for the six months ended 30 June 2022**

	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
	£'000	£'000	£'000
Cash flow from operating activities			
Cash generated from operations (Note 8)	59,544	38,551	100,497
Interest paid	(1,345)	(1,519)	(2,928)
Other interest paid - lease liabilities	(234)	(377)	(1,107)
Tax paid	(768)	(4,010)	(9,960)
Net cash inflow from operating activities	57,197	32,645	86,502
Cash flows from investing activities			
Purchase of property, plant and equipment	(18,769)	(10,059)	(24,960)
Proceeds from sale of property, plant and equipment	8	837	874
Proceeds from sale of property, plant and equipment - exceptional	-	2,882	2,882
Purchase of intangible assets	(4,013)	-	(6,402)
Settlement of deferred consideration	-	-	(413)
Net cash outflow from investing activities	(22,774)	(6,340)	(28,019)
Cash flows from financing activities			
Dividends paid	(20,438)	(6,547)	(16,780)
Drawdown of borrowings	-	-	170,000
Repayment of borrowings	-	(20,000)	(160,000)
Debt issue costs	-	-	(1,563)
Repayment of lease liabilities	(4,564)	(3,649)	(7,575)
Proceeds from issuance of equity shares	-	255	432
Purchase of own shares by Employee Benefit Trust	-	-	(1,309)
Cash outflow from purchase of shares	(6,099)	-	-
Net cash outflow from financing activities	(31,101)	(29,941)	(16,795)
Net increase/(decrease) in cash and cash equivalents	3,322	(3,636)	41,688
Cash and cash equivalents at beginning of the year	61,199	19,552	19,552
Exchange (losses)/gains on cash and cash equivalents	(4)	14	(41)
Cash and cash equivalents at end of the period	64,517	15,930	61,199

1. AUTHORISATION OF FINANCIAL STATEMENTS

Ibstock plc (“Ibstock” or “the Group”) is a manufacturer of clay bricks and concrete products with operations in the United Kingdom. Ibstock plc is a public company limited by shares, which is incorporated and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire, LE67 6HS and the company registration number is 09760850.

The interim condensed consolidated financial statements of Ibstock plc for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 26 July 2022. All disclosed documents relating to these results are available on the Group’s website at www.ibstockplc.co.uk.

Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute the Group’s statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the financial period ended 31 December 2021, which have been extracted from the statutory accounts for that period, are not the Company’s statutory accounts for that financial period. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 8 March 2022. Those accounts have been reported on by the Company’s auditor and delivered to the Registrar of Companies. The report of the auditor was (i) not qualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as contained in UK-adopted IFRS.

They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s Annual Report and Accounts as at 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as contained in UK-adopted IFRS.

The condensed consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand, except where otherwise indicated.

All accounting policies applied by the Group within the interim condensed consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2021, except in respect of taxation, which is based on the expected effective tax rate that would be applicable to expected annual earnings.

The following new and amended standards and interpretations have been adopted in the preparation of the condensed consolidated financial statements:

- (a) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- (b) Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- (c) Annual Improvements to IFRS Standards 2018-2020
- (d) Reference to the Conceptual Framework – Amendments to IFRS 3.

None of the above standards has had a material impact on the Group’s accounting policies. There are no other standards and amendments have been issued by the IASB since the publication of the Group’s results for the year ended 31 December 2021, which have either not been adopted by the IFRS as contained in UK-adopted IFRS or are not yet effective in UK-adopted IFRS at 30 June 2022 and which management expects would have a material impact on the Group.

In preparing the interim condensed consolidated financial statements the Group has assessed the critical accounting estimates and judgements applied in the preparation of the consolidated financial statements for the year ended 31 December 2021. The areas of critical judgement relating to exceptional items (see Note 5), and significant source of estimation uncertainty regarding the Group’s pension scheme liability valuation assumptions surrounding future changes in discount rates, inflation, the rate of increase in pensions in payment and life expectancy (see Note 11) are still considered critical to the preparation of the interim financial statements for the period ended 30 June 2022.

Going concern

The Group’s financial planning and forecasting process consists of a budget for the current year followed by a medium term projection and re-forecasts the current year performance on a quarterly basis. The going concern period covers to December 2023. The Directors have reviewed and robustly challenged the assumptions about future trading performance, operational and capital expenditure and debt requirements within these forecasts including the Group’s liquidity and covenant forecasts, and stress tested within their going concern assessment.

In arriving at their conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group, particularly those relating to economic conditions and operational disruption.

Group forecasts have been prepared which reflect both actual performance conditions and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group. Capital enhancement projects in the clay network were completed during H1 2022, increasing capacity 5% on 2021 levels.

The Group's committed facilities at 30 June 2022 comprise £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million Revolving Credit Facility (RCF) for an initial four year tenor, with a one year extension option. At 30 June 2022, the RCF was undrawn.

Covenants under the Group's RCF and private placement notes require leverage of no more than 3 times net debt to adjusted EBITDA¹, and interest cover of no less than 4 times, tested bi-annually at each reporting date with reference to the previous 12 months. At 30 June 2022, covenant requirements were met with significant headroom.

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios, which see reduction in the industry demands for its products thereby stress testing the Group's resilience. For each scenario, cash flow and covenant compliance forecasts have been prepared. In the severe but plausible scenario industry demand for Clay products is projected to be around 30% lower for a year, which is broadly in line with the sales reduction seen in the Clay division in 2020 during the height of the COVID-19 pandemic, recovering to around 5% lower after this time.

In addition, the Group has prepared a reverse stress test to evaluate the industry demand reduction at which it would be likely to breach the debt covenants, before any further mitigating actions were taken. This test indicates that, at a reduction of 82% in sales volumes in the second half of 2022 or a 38% during the period up to the first half of 2023 or a 38% during the period up 31 December 2023, the Group would be at risk of breaching its covenants.

In the severe but plausible low case, the Group has sufficient liquidity and headroom against its covenants, with covenant headroom expressed as a percentage of last twelve months adjusted EBITDA¹ being greater than 70%.

The Directors consider this to be an highly unlikely scenario, and in the event of an anticipated covenant breach, the Group would seek to take further steps to mitigate, including the disposal of valuable land and building assets and additional restructuring steps to reduce the fixed cost base of the Group.

Having taken account of the various scenarios modelled, and in light of the mitigations available to the Group, the Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months from the date of this report. Accordingly, the consolidated financial information has been prepared on a going concern basis.

3. ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures ("APMs") are used within the interim management report where management believes it is necessary to do so in order to provide further understanding of the financial performance of the Group. Management uses APMs in its own assessment of the Group's performance and in order to plan the allocation of internal capital and resources. Certain APMs are also used in the remuneration of management and Executive Directors.

APMs serve as supplementary information for users of the financial statements and it is not intended that they are a substitute for, or superior to, statutory measures. None of the APMs is outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

In the current period, the previously reported APMs of like-for-like revenue and like-for-like Adjusted EBITDA margin have been removed to reflect full current and comparative period ownership of the Longley business eliminating the need for these measures.

Within the interim management report, APMs are identified with a superscript.

Exceptional items

The Group presents as exceptional on the face of the income statement those items of income and expense which, because of their materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the financial statements to understand further elements of financial performance in the year. This facilitates comparison with future periods and to assess trends in financial performance over time.

Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. Adjusted EBITDA margin is Adjusted EBITDA shown as a proportion of revenue.

The Directors regularly use Adjusted EBITDA and Adjusted EBITDA margin as key performance measures in assessing the Group's profitability. The measures are considered useful to users of the financial statements as they represent common APMs used by investors in assessing a company's operating performance, when comparing its performance across periods as well as being used in the determination of Directors' variable remuneration.

A full reconciliation of Adjusted EBITDA is included at the foot of the Group's consolidated statement of comprehensive income within the consolidated financial statements. Adjusted EBITDA margin is included within Note 4.

Adjusted Effective Tax Rate ("Adjusted ETR")

The Group presents adjusted effective tax rate (Adjusted ETR) within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the rate of taxation borne by the Group prior to the impact of non-deductible exceptional items (defined above) and the changes in taxation rates on deferred taxation.

A reconciliation of the adjusted ETR to the statutory rate of taxation in the UK is set out below.

	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
Statutory rate of taxation in the UK	19.0%	19.0%	19.0%
Less impact of permanent differences*	(1.4%)	(0.6%)	(1.0%)
Less impact of changes in estimates re. prior periods	(0.2%)	(0.8%)	0.1%
Adjusted ETR	17.4%	17.6%	18.1%
Less impact of difference in prior period true-up recognition	-	(1.1%)	(0.4%)
Effect of higher rate applied to deferred tax	2.9%	55.2%	33.3%
Reported ETR	20.3%	71.7%	51.0%

* The impact of permanent differences primarily comprises the benefit from the UK super deduction on qualifying capital expenditure

Adjusted EPS

Adjusted EPS is the basic earnings per share adjusted for exceptional items, fair value adjustments (being the amortisation and depreciation on fair value uplifted assets) and non-cash interest, net of taxation (at the Group's adjusted effective tax rate).

The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial statements in assessing the performance of the Group, when comparing its performance across periods, as well as being used within the determination of Directors' variable remuneration. Additionally, the APM is considered by management when determining the proposed level of ordinary dividend.

A full reconciliation is provided in Note 7.

Net debt and Net debt to Adjusted EBITDA ("leverage") ratio

Net debt is defined as the sum of cash and cash equivalents less total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16 in order to align with the Group's banking facility covenant definition.

Net debt to adjusted EBITDA is the ratio of net debt to adjusted EBITDA. The net debt to adjusted EBITDA ratio definition removes the benefit of IFRS 16 within adjusted EBITDA.

The Directors disclose these APMs to provide information as a useful measure for assessing the Group's overall level of financial indebtedness and when comparing its performance and position across periods..

A full reconciliation of net debt and the net debt to adjusted EBITDA ratio (also referred to as 'leverage') is set out in Note 9.

Return on capital employed

Return on capital employed (ROCE) is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension surplus). The average is calculated using the current period end balance and corresponding preceding reported period end balance (year end or interim).

The Directors disclose the ROCE APM in order to provide users of the financial statements with an indication of the relative efficiency of capital use by the Group over the period, assessing performance between periods as well as being used within the determination of executives' variable remuneration.

The calculation of ROCE is set out below:

	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
	£'000	£'000	£'000
Adjusted EBITDA	119,043	97,362	103,053
Less depreciation	(30,984)	(30,970)	(31,409)
Less amortisation	(6,941)	(6,936)	(6,940)
<i>Adjusted earnings before interest and taxation</i>	81,118	59,456	64,704
Average net debt	37,266	61,325	46,169
Average equity	430,011	400,082	412,761
Average pension	(56,987)	(43,049)	(50,138)
<i>Average capital employed</i>	410,290	418,358	408,792
ROCE	19.8%	14.2%	15.8%

Average capital employed figures comprise:	30 June 2022	31 December 2021	30 June 2021	31 December 2020
	£'000	£'000	£'000	£'000
Net debt	35,660	38,872	53,466	69,184
Equity	436,792	423,229	402,293	397,871
Pension	56,219	57,754	42,521	43,576

Cash flow related APMs

The Group presents an adjusted cash flow statement within its Financial Review. This is disclosed in order to provide users of the financial statements with a view of the Group's operating cash generation before the impact of cash flows associated with exceptional items (as set out in Note 5) and with the inclusion of interest, lease payment and property disposal related cash flows.

The Directors use this APM table to allow shareholders to further understand the Group's cash flow performance in the period, to facilitate comparison with future years and to assess trends in financial performance. This table contains a number of APMs, as described below and reconciled in the following table:

Adjusted change in working capital

Adjusted change in working capital represents the statutory change in working capital adding back cash inflows associated with exceptional items arising in the year of £0.2 million (30 June 2021: adding back £2.1 million; 31 December 2021: adding back £2.0 million).

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted to exclude cash flows relating to exceptional items of £0.4 million (30 June 2021: £3.7 million; 31 December 2021: £1.7 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment, purchase of intangibles and lease payments reclassified from investing or financing activities of £8.6 million (30 June 2021: £2.8 million; 31 December 2021: £12.2 million).

Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA (defined above). The Directors believe this APM provides a useful measure of the Group's efficiency of its cash management during the period.

Adjusted free cash flow

Adjusted free cash flow represents Adjusted operating cash flow (defined above) less total capital expenditure. The Directors use the measure of Adjusted free cash flow as a measure of the funds available to the Group for the payment of distributions to shareholders, for use within M&A activity and other investing and financing activities.

Reconciliation of statutory cash flow statement to adjusted cash flow statement

Six months ended 30 June 2022 (unaudited)	Statutory	Exceptional	Reclassification	Adjusted
	£'000	£'000	£'000	£'000
Adjusted EBITDA	69,987	756	-	70,743
Change in working capital	(10,689)	167	-	(10,522)
Impairment charges	554	(554)	-	-
Net interest	(1,579)	-	-	(1,579)
Tax	(768)	-	-	(768)
Post-employment benefits	(488)	-	(387)	(875)
Other	180	-	(8,182)	(8,002)
Adjusted operating cash flow	57,197	369	(8,569)	48,997
Cash conversion				69%
Total capex	(18,769)	-	-	(18,769)
Adjusted free cash flow	38,428	369	(8,569)	30,228

Six months ended 30 June 2021 (unaudited)	Statutory	Exceptional	Reclassification	Adjusted
	£'000	£'000	£'000	£'000
Adjusted EBITDA	55,215	(462)	-	54,753
Change in working capital	(11,989)	2,089	-	(9,900)
Net interest	(1,896)	-	-	(1,896)
Tax	(4,010)	-	-	(4,010)
Post-employment benefits	(424)	-	(451)	(875)
Other	(4,251)	2,036	(2,361)	(4,576)
Adjusted operating cash flow	32,645	3,663	(2,812)	33,496
Cash conversion				61%
Total capex	(10,059)	-	-	(10,059)
Adjusted free cash flow	22,586	3,663	(2,812)	23,437

Year ended 31 December 2021 (audited)	Statutory	Exceptional	Reclassification	Adjusted
	£'000	£'000	£'000	£'000
Adjusted EBITDA	108,283	(5,230)	-	103,053
Change in working capital	3,330	2,028	-	5,358
Impairment charges	(5,797)	5,797	-	-
Net interest	(4,035)	-	(1,563)	(5,598)
Tax	(9,960)	-	-	(9,960)
Post-employment benefits	(789)	-	(961)	(1,750)
Other	(4,530)	(860)	(9,673)	(15,063)
Adjusted operating cash flow	86,502	1,735	(12,197)	76,040
Cash conversion				74%
Total capex	(24,960)	-	-	(24,960)
Adjusted free cash flow	61,542	1,735	(12,197)	51,080

4. SEGMENT REPORTING

The Directors consider the Group's reportable segments to be the Clay and Concrete divisions.

The key Group performance measure is adjusted EBITDA¹, as detailed below, which is defined in Note 3. The tables, below, present revenue and adjusted EBITDA¹ and profit/(loss) before taxation for the Group's operating segments.

Included within the unallocated and elimination columns in the tables below are costs including share based payments and Group employment costs. Unallocated assets and liabilities are pensions, taxation and certain centrally held provisions. Transactions between segments are carried out at arm's length. There is no material inter-segmental revenue and no aggregation of segments has been applied.

	Six months ended 30 June 2022			
	Clay £'000	Concrete £'000	Unallocated £'000	Total £'000
Total revenue	185,532	73,781	-	259,313
Adjusted EBITDA¹	64,377	11,318	(4,952)	70,743
Adjusted EBITDA¹ margin	34.7%	15.3%		27.3%
Exceptional items impacting operating profit (see Note 5)	(756)	-	-	(756)
Depreciation and amortisation pre fair value uplift	(10,452)	(2,902)	(67)	(13,421)
Incremental depreciation and amortisation following fair value uplift	(3,391)	(2,070)	-	(5,461)
Net finance costs	965	(218)	(629)	118
Profit/(loss) before tax	50,743	6,128	(5,648)	51,223
Taxation				(10,415)
Profit for the period				40,808

	Six months ended 30 June 2021			
	Clay £'000	Concrete £'000	Unallocated £'000	Total £'000
Total revenue	138,269	63,772	-	202,041
Adjusted EBITDA¹	47,209	11,768	(4,224)	54,753
Adjusted EBITDA¹ margin¹	34.1%	18.5%		27.1%
Exceptional items impacting operating profit (Note 5)	5,727	(366)	-	5,361
Depreciation and amortisation pre fair value uplift	(11,114)	(2,664)	(68)	(13,846)
Incremental depreciation and amortisation following fair value uplift	(3,223)	(2,237)	-	(5,460)
Net finance costs	(79)	(115)	(1,778)	(1,972)
Profit/(loss) before tax	38,520	6,386	(6,070)	38,836
Taxation				(27,863)
Profit for the period				10,973

	Year ended 31 December 2021			
	Clay £'000	Concrete £'000	Unallocated £'000	Total £'000
Total revenue	280,235	128,421	-	408,656
Adjusted EBITDA¹	90,634	21,740	(9,321)	103,053
Adjusted EBITDA¹ margin¹	32.3%	16.9%		25.2%
Exceptional items impacting operating profit (Note 5)	5,347	(117)	-	5,230
Depreciation and amortisation pre fair value uplift	(22,101)	(5,981)	(135)	(28,217)
Incremental depreciation and amortisation following fair value uplift	(5,834)	(4,298)	-	(10,132)
Net finance costs	(809)	(202)	(3,981)	(4,992)
Profit/(loss) before tax	67,237	11,142	(13,437)	64,942

Taxation	(33,129)
Loss for the year	31,813

	Clay £'000	Concrete £'000	Unallocated £'000	Total £'000
Total segment assets				
At 30 June 2022	579,884	152,150	63,199	795,233
At 31 December 2021	547,472	145,478	63,193	756,143
At 30 June 2021	513,208	138,333	45,778	697,319
	Clay £'000	Concrete £'000	Unallocated £'000	Total £'000
Total segment liabilities				
At 30 June 2022	(178,484)	(59,631)	(120,326)	(358,441)
At 31 December 2021	(155,589)	(56,764)	(120,561)	(332,914)
At 30 June 2021	(153,231)	(56,002)	(85,793)	(295,026)

Seasonality

Historically, activity of the Group's trading operations occurs throughout the year and is largely unaffected by seasonal factors. In the year ended 31 December 2021, the period to 30 June accounted for 49.4% of the Group's annual revenue and 53.1% of the Group's annual adjusted EBITDA. During the current financial year, absent further significant disruption because of global macroeconomic uncertainties, including any recurrence of the COVID-19 pandemic, management anticipates a distribution of revenue and adjusted EBITDA weighted somewhat towards the first half.

5. EXCEPTIONAL ITEMS¹

	Unaudited Half year ended 30/06/2022 £'000	Unaudited Half year ended 30/06/2021 £'000	Audited Year ended 31/12/2021 £'000
<u>Exceptional cost of sales</u>			
Impairment (charge)/reversal - Property, plant and equipment	(554)	4,899	5,623
Impairment reversal - Right-of-use assets	-	-	174
Total impairment charges	(554)	4,899	5,797
Other costs associated with restructuring programme	(202)	(1,398)	(2,302)
Total exceptional cost of sales	(756)	3,501	3,495
<u>Exceptional administrative expenses:</u>			
Redundancy savings/(costs)	-	11	(100)
COVID-19 administrative expenses	-	(187)	(187)
Total exceptional administrative expenses	-	(176)	(287)
Exceptional profit on disposal of property, plant and equipment	-	2,036	2,022
Exceptional items impacting operating profit	(756)	5,361	5,230
Total exceptional items	(756)	5,361	5,230

Period ended 30 June 2022

Included within the current period are the following exceptional items:

Exceptional cost of sales

Impairment charges incurred in the current period relate to the impairment of non-current assets at the sites earmarked for closure in a prior period as part of the Group's single coordinated plan in response to the COVID-19 pandemic. In order to remain consistent with prior years, and due to their non-recurring nature, these costs were categorised as exceptional. Similar costs are not expected to arise in the future.

Other costs associated with restructuring programme represent costs incurred as a result of the Group's restructuring programme announced during 2H 2020. These costs include site security, insurance, rates and other standing charges in connection with closed sites. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs. Further costs related to this programme are not expected to arise in the future.

Tax on exceptional items

In the current period, impairment charges arising on non-current assets are not tax deductible but gave rise to a deferred tax credit in the prior period and as such are not tax rate impacting. The costs associated with the closure of sites are tax deductible.

Six-month period ended 30 June 2021 and year ended 31 December 2021

Details of exceptional items included within the prior interim and full year periods are disclosed within Note 5 of the Group's 2021 interim results and 2021 Annual report and accounts, respectively.

6. TAXATION

The taxation charge for the interim period is an estimate based on the expected full year effective tax rate.

7. 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:

	Half year ended 30/06/2022	Half year ended 30/06/2021	Year ended 31/12/2021
	(000s)	(000s)	(000s)
Basic weighted average number of Ordinary Shares	408,300	409,146	409,118
Effect of share incentive awards and options	611	1,145	1,494
Diluted weighted average number of Ordinary Shares	408,911	410,291	410,612

The calculation of adjusted earnings per share¹ is a key measurement used by management that is not defined by IFRS. The adjusted earnings per share¹ measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share¹ figures are calculated as the Basic earnings per share adjusted for exceptional items¹, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the adjusted effective tax rate.

A reconciliation of the statutory profit to that used in the adjusted earnings per share¹ calculations is as follows:

Unaudited Unaudited Audited

	Half year ended 30/06/2022	Half year ended 30/06/2021	Year ended 31/12/2021
	£000	£000	£000
Profit/(loss) for the period attributable to the parent shareholders	40,808	10,973	31,813
Add back/(less) exceptional costs/(credit) (Note 5)	756	(5,361)	(5,230)
(Less)/add back tax (credit)/charge on exceptional items	(132)	946	695
Add fair value adjustments (Note 4)	5,461	5,460	10,132
Less tax credit on fair value adjustments	(951)	(963)	(1,834)
(Less)/add back net non-cash interest	(1,703)	76	(606)
Add back/(less) tax expense/(credit) on non-cash interest	296	(13)	110
Less impact of difference in prior year tax true-up recognition	-	(419)	-
Add back impact of deferred taxation rate change	1,500	21,430	21,628
Adjusted profit for the period attributable to the parent shareholders	46,035	32,129	56,708

	Half year ended 30/06/2022	Half year ended 30/06/2021	Year ended 31/12/2021
	pence	pence	pence
Basic EPS on profit for the period	10.0	2.7	7.8
Diluted EPS on profit for the period	10.0	2.7	7.7
Adjusted basic EPS on profit for the period	11.3	7.9	13.9
Adjusted diluted EPS on profit for the period	11.3	7.8	13.8

8. NOTES TO THE GROUP CASH FLOW STATEMENT

	Unaudited Half year ended 30/06/2022	Unaudited Half year ended 30/06/2021	Audited Year ended 31/12/2021
	£'000	£'000	£'000
Cash flows from operating activities			
Profit before taxation	51,223	38,836	64,942
Adjustments for:			
Depreciation	15,413	15,838	31,409
Impairment of property plant and equipment	554	(4,899)	(5,623)
Impairment of right-of-use assets	-	-	(174)
Amortisation of intangible assets	3,469	3,468	6,940
Finance costs	(118)	1,972	4,992
Loss/(gain) on disposal of property, plant and equipment	73	(3,796)	(3,660)
Research and development expenditure credit	(750)	(750)	(1,673)
Share based payments	857	295	890
Post-employment benefits	(488)	(424)	(789)
Other	-	-	(87)
	70,233	50,540	97,167
Increase in inventory	(5,228)	(2,823)	(9,435)
Increase in trade and other receivables	(28,642)	(21,227)	(2,617)
Increase in trade and other creditors	23,704	13,520	18,504
Decrease in provisions	(523)	(1,459)	(3,122)
Cash generated from operations	59,544	38,551	100,497

During the six months ended 30 June 2022, the Group acquired assets with a cost of £18.8 million (period ended 30 June 2021: £10.1 million; year ended 31 December 2021: £25.0 million). Assets of £0.1 million were disposed of during the current period for nil proceeds (period ended 30 June 2021: £2.0 million for proceeds of £3.7 million; year ended 31 December 2021:

£2.2 million for proceeds of £5.8 million). Capital expenditure commitments for which no provision has been made were £79.9 million at 30 June 2022 (30 June 2021: £73.7 million; 31 December 2021: £57.4 million).

9. BORROWINGS, AND MOVEMENTS IN CASH AND NET DEBT

At 30 June 2022, the Group held £100 million of private placement notes from Pricoa Private Capital, with maturities of between 7 and 12 years and an average total cost of funds of 2.19% (range 2.04%-2.27%). The agreement also contains an additional uncommitted shelf facility of up to \$88.1 million (or equivalent in available currencies). The facility contains debt covenant requirements of leverage (net debt to adjusted EBITDA¹) and interest cover (adjusted EBITDA¹ to net finance charges) of 3x and 4x, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

Additionally, a £125 million RCF facility was held with a syndicate of five banks for an initial four year period ending in November 2025, with a one year extension option. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA¹) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage¹, the Group will pay interest under the RCF initially at a margin of 160bps. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency. The RCF was undrawn throughout the current six-month period and subsequently up to the date of approval of these interim results.

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.

Details of borrowing facilities held at the prior interim period and full year end dates are disclosed within Note 9 and Note 19 of the Group's 2021 interim results and 2021 Annual report and accounts, respectively.

	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
	£'000	£'000	£'000
Cash and cash equivalents	64,517	15,930	61,199
Current			
Private placement	(324)	-	(333)
Revolving Credit Facility	(100)	(372)	-
	(424)	(372)	(333)
Non-current			
Private placement	(99,753)	-	(99,738)
Revolving Credit Facility	-	(69,024)	-
	(99,753)	(69,024)	(99,738)
Net debt	(35,660)	(53,466)	(38,872)
Net debt to adjusted EBITDA ratio			
Net debt	(35,660)	(53,466)	(38,872)
Last 12 months adjusted EBITDA ¹	119,043	97,362	103,053
Impact of IFRS 16	(7,834)	(6,983)	(7,171)
Adjusted EBITDA ¹ prior to IFRS 16	111,209	90,379	95,882
	0.3x	0.6x	0.4x

10. FINANCIAL INSTRUMENTS

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).

At 30 June 2022, 31 December 2021 and 30 June 2021, the Group's fair value measurements were categorised as Level 2, except for quoted investments within the Group's pension (valued at £148,725,000 at 30 June 2022, £177,401,000 at 31 December 2021 and £177,055,000 at 30 June 2021), which were valued as Level 1.

The Group entered into forward currency contracts as cash flow hedges to manage its exposure of foreign currency fluctuations associated with the future purchases of plant and equipment required for the construction of the major capital expenditure projects. These instruments are measured at fair value using Level 2 valuation techniques subsequent to initial recognition.

At 30 June 2022, an asset valued at £408,000 (31 December 2021: a liability of £74,000; 30 June 2021: £nil) was recognised for these derivative financial instruments. An amount of £14,000 was transferred to property, plant and equipment in the six-month period ended 30 June 2022. No amounts have been reclassified to profit or loss as a result of the hedged cash flow during the period.

At 30 June 2022, 31 December 2021 and 30 June 2021, all of the Group's fair value measurements have been categorised as Level 2 with the exception of (i) certain equities within the Group's pension scheme, which were categorised as Level 1 valuations and (ii) the insured pensioner asset, which was categorised as a Level 3 valuation and uses assumptions set out in Note 11 to align its valuation to the related liability.

At 30 June 2022, 31 December 2021 and 30 June 2021, the Group held no other significant derivative financial instruments. There were no transfers between levels during any period disclosed.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount.

11. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the six-month period to 30 June 2022, the Scheme surplus of £57.8 million decreased to a surplus of £56.2 million. Analysis of movements during the six-month period ended 30 June 2022:

	£'000
Scheme surplus at 1 January 2022 (audited)	57,754
Charge within labour costs and operating profit	(387)
Interest income	520
Remeasurement due to:	
- Change in financial assumptions	146,629
- Change in demographic assumptions	444
- Experience losses	(9,972)
- Return on plan assets	(139,644)
Company contributions	875
Scheme surplus at 30 June 2022 (unaudited)	<u>56,219</u>

The slight deterioration in the balance sheet position over the period is primarily due to increased levels of short-term inflation during the period, leading to significant expected pension increases in deferment and payment to be awarded in 2023. This has been offset by a significant actuarial gain arising on the liabilities from a change in market conditions, particularly reflecting the significant rise in corporate bond yields and therefore the discount rate over the first half of 2022.

The financial assumptions used by the actuary have been derived using a methodology consistent with the approach used to prepare the accounting disclosures at 31 December 2021. The assumptions have been updated based on market conditions at 30 June 2022:

	Unaudited 30 June 2022	Unaudited 30 June 2021	Audited 31 December 2021
	Per annum	Per annum	Per annum
Discount rate	3.65%	1.80%	1.80%
RPI inflation	3.20%	3.25%	3.40%
CPI inflation	2.60%	2.55%	2.70%
Rate of increase in pensions in payment	3.65%	3.65%	3.75%
Mortality assumptions: life expectation at age 65			
For male currently aged 65	21.9 years	21.8 years	21.8 years
For female currently aged 65	24.5 years	24.5 years	24.5 years
For male currently aged 40	23.6 years	23.6 years	23.6 years
For female currently aged 40	26.4 years	26.3 years	26.3 years
Commutation factors - sample factor at age 65	17.31	17.31	17.31

12. RESERVES

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/redeemed at a premium.

Other reserves

The movement in other reserves during the period is set out in the table below:

	Cash flow hedging reserve	Merger reserve	Own shares held	Treasury shares	Total other reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	(74)	(369,119)	(1,741)	-	(370,934)
Other comprehensive income	431	-	-	-	431
Shares purchased - share buyback scheme	-	-	-	(6,298)	(6,298)
Issue of own shares held on exercise of share options	-	-	97	-	97
At 30 June 2022	357	(369,119)	(1,644)	(6,298)	(376,704)
Balance at 1 January 2021	-	(369,119)	(922)	-	(370,041)
Issue of own shares held on exercise of share options	-	-	360	-	360
At 30 June 2021	-	(369,119)	(562)	-	(369,681)
Balance at 1 July 2021	-	(369,119)	(562)	-	(369,681)
Other comprehensive expense	(74)	-	-	-	(74)
Purchase of own shares	-	-	(1,309)	-	(1,309)
Issue of own shares held on exercise of share options	-	-	130	-	130
At 31 December 2021	(74)	(369,119)	(1,741)	-	(370,934)

The Cash flow hedging reserve records movements for effective cash flow hedges measured at fair value. See Note 10 for further detail.

The Merger reserve arose on the acquisition of Figgs Topco Limited by Ibstock plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

The Own shares held reserve represents the Group's holding in its own equity instruments shown as a deduction from shareholders' equity at cost. These shares represent shares held in the Employee Benefit Trust to meet the future requirements

of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

The Treasury share reserve represents shares acquired by the Group as part of its share buyback programme in 2022. In April 2022, the Group announced a £30 million share buyback programmes as part of its ongoing value creation strategy. These shares are held by the Group to meet future requirements of employee share based payment plans. At 30 June 2022, the Treasury shares reserve contained 3,484,872 shares.

Commencing 10 May 2022, the Group engaged its brokers to purchase shares on the open market on its behalf. The terms of these arrangements commit the Group to further purchases of its own shares for up to c£24 million, which it can revoke without penalty outside of regulatory close periods.

13. RELATED PARTY TRANSACTIONS

There are no related party transactions nor any related party balances in either the 2021 or 2022 financial periods.

14. DIVIDENDS PAID AND PROPOSED

A final dividend for 2021 of 5.0 pence per ordinary share (2020: 1.6) was paid on 13 May 2022. The Directors have declared an interim dividend of 3.3 pence per ordinary share in respect of 2022 (2020: 2.5 pence), amounting to a dividend of £13.4 million (2021: £10.2 million). The interim dividend will be paid on 13 September 2022 to all shareholders on the register at close of business on 19 August 2022.

These condensed consolidated financial statements do not reflect the 2022 interim dividend payable.

15. POST BALANCE SHEET EVENTS

Other than the interim dividend declared by the Directors (see Note 14), since the balance sheet date no material subsequent events requiring further disclosure or adjustments to these financial statements have been identified.

Independent Review Report to Ibstock plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of Ibstock Plc (the "Group") will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
26 July 2022