Ibstock plc

Results for the year ended 31 December 2022

Strong financial performance and further strategic progress

Ibstock plc ("Ibstock" or the "Group"), a leading UK manufacturer of clay bricks and concrete products and solutions, announces its results for the year ended 31 December 2022.

Statutory Results

Year ended 31 December	2022	2021	Δ 1Y	% change
Revenue	£513m	£409m	+£104m	+26%
Profit before taxation	£105m	£65m	+£40m	+61%
EPS	21.6p	7.8p	+13.8p	>100%

Adjusted Results[1]

Year ended 31 December	2022	2021	Δ 1Y	% change
Adjusted EBITDA	£140m	£103m	£37m	+36%
Adjusted EBITDA margin	27.2%	25.2%	+200bps	+8%
Adjusted EPS	22.7p	13.9p	8.8p	+63%
Total dividend per share	8.8p	7.5p	+1.3p	+17%
Adjusted free cashflow	£50m	£51m	£(1)m	(3)%
ROCE	23.4%	15.8%	+760bps	+48%
Net debt	£46m	£39m	+£7m	(18)%

A year of strong performance

- Strong trading performance for the year, with both revenue and profit materially ahead of both the prior year and pre-pandemic comparators
- Adjusted EBITDA[1] of £140 million (2021: £103 million) was ahead of our expectations set at the beginning of the year, with EBITDA margin of 27.2% (2021: 25.2%)
- Return on Capital Employed[1] (ROCE) increased to 23.4% (2021: 15.8%) ahead of medium term target of 20%
- Balance sheet strength maintained with closing leverage of 0.4x (Dec 21: 0.4x) after £38 million of growth capital and £30 million share buyback during the year
- Recommended final dividend of 5.5 pence per share (2021: 5.0p), growing full year dividend by 17% to 8.8 pence per share (2021: 7.5p)

[1] Alternative Performance measures are described in Note 3 to this results announcement

Building for the future

- Growth capital of £38 million deployed in the year to support our strategic growth over the medium-term
- Atlas and Aldridge brick projects are on track to commission from the end of 2023, delivering over 100 million bricks of lower-cost capacity per annum, with the whole Atlas range to be externally verified as carbon neutral
- Strategic acquisitions and investments in fast-growth areas of UK construction markets during the year have accelerated diversified growth through Ibstock Futures
- Brick slip investment strategy further refined, to both accelerate commissioning of an initial capacity extension, as well as incorporate more advanced and efficient process technology in the purpose built factory
- Continued strong progress towards ambitious ESG targets, including commitment to deliver 40% absolute reduction in carbon by 2030
- Ibstock Futures to open new state of the art innovation hub in West Midlands during H1 2023
- Continued investment in people and culture delivering a step change in health, safety and wellbeing during the year
- Balance sheet strength provides resilience and strategic optionality to invest further for growth and return additional capital to shareholders over the medium term

Current trading and outlook

- Activity in the early weeks of 2023 has continued to reflect the more cautious demand environment seen in Q4 2022
- Energy price risk well covered with over 80% of energy requirements secured for H1 2023 and 65% secured for the full year
- Our focus will balance disciplined management of price, cost and capacity in the near-term with the delivery of our major growth projects and strategic progress to ensure delivery against our medium-term targets
- We expect conditions to remain subdued through the early part of 2023, but anticipate this to improve as the year progresses, supported by sequential demand improvement
- As such, the Board's expectations for the full year are unchanged

Joe Hudson, Chief Executive Officer, commented:

"These strong results reflect our continued focus on commercial and operational execution, which has enabled the Group to deliver significant growth and improved returns despite a challenging backdrop. Revenue and profit were materially ahead of both the prior year and pre-pandemic levels, reflecting the strategic progress we have made over the last five years, with the development of a high quality, lower cost and highly efficient asset base allied to the strength of our market positions.

"We have faced into the challenges of recent years to emerge as a more diverse, higher quality business, with a strong management team and a clear strategy focused on value creation in the years ahead. As we face another period of uncertainty, we will draw on this experience to optimise our performance in the short term, while continuing to invest in, and diversify, the business to ensure we remain well placed to deliver on our medium-term targets.

"Activity in the early weeks of 2023 has continued to reflect the more subdued demand environment experienced towards the end of last year, although we anticipate this to improve as the year progresses. With the strong strategic platform we now have in place, I am confident both in our ability to respond effectively to conditions this year, and to achieve significant growth over the medium-term."

Results presentation

Ibstock is holding a presentation at 10.30am 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 and Q&A is also available. Please register here for the live webcast.

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) 33 0551 0200 US: +1 786 697 3501
Confirmation code:	please quote Ibstock Full Year Results when prompted

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

Ibstock plc Joe Hudson, CEO Chris McLeish, CFO	**01530 261 999**
Citigate Dewe Rogerson Kevin Smith Holly Gillis	**020 7638 9571**

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 comprises two core business divisions, Ibstock Clay and Ibstock Concrete, with Ibstock Futures established to accelerate diversified growth opportunities.

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 Futures: Complements our core businesses by accelerating diversified growth opportunities and addressing key construction trends, including sustainability and the shift towards Modem Methods of Construction (MMC).

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

This has been an outstanding year for Ibstock, and it is pleasing to see how our performance in 2022 reflects the significant strategic progress we have made as a business over the last few years. The transformed platform of capability we now have in place has been critical in enabling the delivery of very strong financial performance in the 2022 year, and I am confident that it will underpin the continuing success of our business over the years ahead. I am grateful for the incredible team of people at Ibstock who have enabled us to navigate the challenges of recent years and emerge stronger, whilst always retaining focus on our longer-term goals.

Over recent years, we have made significant investment in strategic growth, enabling us to anticipate and respond to evolving trends in the construction sector, and positioning us well to maximise opportunities in a range of emerging, fast-growing niche segments of this market. We have also invested consistently in our people, building strength in our business, and creating opportunity for all our colleagues. At the same time, our unwavering focus on execution and disciplined capital allocation have ensured resilience in our performance, supporting returns to shareholders even in the most challenging of times.

Recent months have presented different challenges, with macroeconomic uncertainty, inflation and higher interest rates weighing on the demand picture. We will face into these challenges with the same disciplined approach to capacity management, costs and commercial execution to ensure we optimise performance in the short term.

Ibstock has been, and will remain, an extremely cash generative business, having returned around £265 million to shareholders, equivalent to around 68 pence per share, over the last 7 years. We remain committed to deploying these strong cash flows to support both incremental investment and additional shareholder returns over the years ahead.

Overview

We are reporting a strong performance for 2022, with revenue and profit materially ahead of both the prior year and pre-pandemic comparators. Trading was robust, supported by good commercial and operational execution across the business, together with strong demand from our new build residential, Repairs, Maintenance and Improvement (RMI), and infrastructure customers.

The Group managed supply chain and inflation challenges well and we continued to price dynamically to recover cost inflation throughout the year, delivering a 26% increase in revenues with volumes broadly in line with the prior year.

Market conditions were buoyant for most of the year, although we experienced lower sales volumes in the final quarter, reflecting a more cautious demand environment. Industry brick inventories remained at historically low levels, with the market having to rely on imported bricks to satisfy around 23% of delivered volumes, due to the constraints on UK capacity.

The more subdued demand conditions observed in the final quarter of 2022 have continued in the early weeks of 2023 although we anticipate this to improve as the year progresses, supported by sequential demand improvement. The strength of our balance sheet provides resilience as we trade through these more challenging conditions, and our focus will be on cost and capacity management, alongside dynamic commercial execution, to ensure that we optimise near-term performance regardless of market conditions. With the inherent advantages in our domestic business model, we are well positioned to displace imported products if overall demand remains at lower levels for any sustained period.

On a medium and longer-term view, the UK residential construction markets we serve remain underpinned by positive structural growth drivers, including projected population growth, a continuing shortage of housing and supportive government policy. We are also well positioned to capitalise upon opportunities across the diversified markets in which we operate, building on the initial expansion of our Ibstock Futures business, which has grown its scale and capabilities rapidly over the last 12 months.

Overall growth capital of £38 million was invested across our core business and Futures during the year to support our medium-term growth, and we expect to invest further growth capital of around £55 million during the 2023 year.

Ibstock has an ambition to be the most sustainable manufacturer of clay and concrete products in the UK, and also to lead our sector in ESG disclosure and transparency. In 2022, we achieved an absolute carbon reduction of 13% relative to our 2019 baseline. Whilst this represented a slight increase year on year, we remain committed to taking the actions necessary to ensure that the Group achieves a 40% reduction in absolute carbon by 2030, and that we are a net-zero carbon operation by 2040.

Reflecting the strong profit performance of the business, the Board is pleased to recommend a final dividend of 5.5p per share (2021: 5.0p), bringing the full year dividend to 8.8p per share (2021: 7.5p), an increase of 17%. In recommending this level of dividend, the Board remains mindful of its objective to deliver a sustainable and progressive ordinary dividend over time.

Financial Performance

The Group delivered a strong trading performance in 2022, with revenue, operating profit and free cash flow materially ahead of the prior year.

Revenue of £513 million was 26% up on 2021 as the Group performed well, with robust demand across its end markets. Industry-wide supply chain challenges were well managed and the impact of inflationary pressures on our cost base, particularly energy, was mitigated through our well-established dynamic commercial approach in both the clay and concrete divisions. Adjusted EBITDA[1] grew by 36% to £140 million (2021: £103 million) and the adjusted EBITDA[1] margin increased to 27.2%, compared to 25.2% in 2021 and 16.5% in 2020. Statutory earnings per share grew by 13.8 pence to 21.6 pence (2021: 7.8 pence) reflecting the strength of earnings in the year.

Our Return on Capital Employed[1] (ROCE) increased materially to 23.4% (2021: 15.8%), with both the stronger operating profit performance and a continuing focus on capital management contributing to this improvement. We will continue to deploy capital in a dynamic and disciplined way and target a ROCE[1] consistent with the stated medium-term target of 20%.

The balance sheet remains strong with closing leverage of 0.4x net debt to adjusted EBITDA[1] (Dec 21: 0.4x) after investing £38 million of growth capital and a £30 million share buyback during the year. Adjusted Free cash flow[1] was strong at £50 million (2021: £51 million), reflecting robust trading and a continued focus on the efficient management of working capital.

The Board expects to generate capital in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review.

Divisional Review

<u>Ibstock Clay</u>

Divisional revenue grew by 32% year on year to £369 million (2021: £280 million) and adjusted EBITDA[1] increased by 40% to £127 million (2021: £91 million), delivering an adjusted EBITDA[1] margin of 34.3%, up by 200 basis points on the prior year (2021: 32.3%). Ibstock Futures recognised net operating costs of £5 million, reflecting a small loss of around £1m from the acquired businesses, and £4 million of operational investment in research and development, and in building in-house innovation and commercial capability.

The clay business delivered a strong result in the year, benefiting from solid operational performance, disciplined cost management and a dynamic commercial approach that recovered in full significant variable cost inflation. Commercial and operational actions to enhance sales mix also contributed to the strong margin performance.

Market conditions were positive for most of 2022, reflecting resilient new build and RMI residential demand, with overall volumes consistent with the prior year. Housing starts in 2022 were broadly in line with the prior year, although activity slowed in the final quarter in response to a more cautious demand environment. RMI demand also remained resilient for the majority of the year, although we again experienced some softening in volumes towards the end of the period as macroeconomic uncertainty and rising interest rates began to impact on discretionary consumer expenditure.

A solid operational performance underpinned the strength of the results, with consistent reliability and efficiency across the plant network.

Our Atlas and Aldridge brick manufacturing growth projects are on track to commission from the end of 2023, and set to deliver over 100 million bricks of lower-cost capacity per annum, with the whole Atlas range to be externally verified as carbon neutral.

Ibstock Futures

Ibstock Futures ("Futures") accelerated its development in the year, underpinned by strategic investments made to build its capabilities in fast-growth areas of the UK construction market.

The asset acquisition from glass reinforced concrete panel technology specialist, Telling GRC, in early 2022 established a strong position in a new market that offers cost savings and environmental benefits to customers through the construction process. The Telling assets were integrated successfully during the year, and progress and performance have continued to be in line with our expectations.

Later in the year, the acquisition of Generix, a UK supplier of non-combustible façade systems, represented a further strategic step to broaden the range of systems offered by Futures, as our customers seek lower carbon, non-combustible forms of cladding for use in the mid- to high- rise and modular market segments.

We have a strong pipeline of opportunities to invest further capital within Ibstock Futures in the service of diversified growth over the years ahead.

We have also continued to develop the brick slip investment strategy and identified opportunities to re-configure the project, to both accelerate commissioning of an initial capacity extension, as well as incorporate more advanced and efficient process technology in the purpose built factory. As part of this, we initiated in 2022 an investment of up to £8 million, to be deployed over the next 12 months, on an automated slip line, providing capacity for up to 17 million slips, coming on stream by the end of 2023. At this stage, commissioning for the main line is expected in late 2024.

We have made further progress during the year to unlock value from our unrivalled clay reserves. During the second half of the year, we commissioned a pilot plant for the production of expanded clay - a lightweight aggregate that has multiple application uses in the construction sector and which is in short supply. We have also advanced our project focused on calcined clay, which has huge potential as a lower carbon cementitious replacement. Over the coming year we expect to continue to develop these projects, which are firmly centred on the Group's strategic ambition to lead our sector for sustainability and environmental impact. We are also excited to report that, during the 2022 year we fired our first bricks using synthetic gas from a waste source in partnership with a strategic partner with funding support from Innovate UK, the UK's innovation agency.

We continue to see Futures as a key driver of Ibstock's growth over the medium-term and, in addition to acquisitions, we are making organic investment in our assets and capabilities to support future expansion. We are announcing today the creation of a state-of-the-art innovation hub in the West Midlands to provide a platform for rapid innovation and expansion. This facility, which has been secured on a long-term lease, is expected to be operational by the end of the second quarter of 2023.

Ibstock Concrete

The Concrete division delivered a strong performance, benefiting from its exposure to a broad range of residential and infrastructure markets, with a resilient demand backdrop and solid operational performance.

Divisional revenue in 2022 grew 12% to £144 million (2021: £128 million), reflecting stronger pricing across the business. Adjusted EBITDA[1] of £24 million was around 9% higher than the prior year (2021: £22 million), reflecting strong commercial execution across all product categories. Adjusted EBITDA[1] margins of 16.4%, were marginally below the level achieved in 2021 of 16.9%, reflecting operational inefficiencies within our roof tile business in the early part of the year. As expected, we saw the divisional margins improve during the second half of the year towards our medium-term ambition of 18%.

Overall, sales volumes were marginally below the prior year, reflecting some softening in demand during the final quarter of the year. Infrastructure volumes grew strongly, with both rail and structural categories showing double-digit growth year-on-year. This helped to offset lower volumes across floor beams and associated ancillaries, with a reduction in year-on-year sales towards the end of the year as house builder demand reduced. Walling stone volumes were ahead of the prior year as the business grew share in key regional territories. Roofing volumes were modestly lower, held back by production issues at our roof tile factory in Leighton Buzzard during the first half of the year. The actions taken to enhance operational performance at this factory delivered material improvements in reliability and efficiency during the latter part of the year.

Strategic Update

As a business, we remain focused on delivering strong strategic progress to provide further sustainable advantage over the years ahead, and I am pleased with the progress we made in this regard during the year. The strong performance in 2022 has delivered significant progress towards the medium-term financial targets we set out in March 2022.

Our strategy is driven from our belief that the construction market will continue to evolve, adopting more sustainable and industrialised processes, practices and products. We are focused on building our capabilities across the business to position us well to maximise our opportunities in these developing new markets.

Our strategic development extends far beyond the acquisitions and partnerships we have made in the year. Our three strategic pillars: Sustain; Innovate; and Grow focus our activities across all of our operations to align to our collective goals. Progress achieved this year is detailed further below.

Sustain
As a large scale industrial business, sustainable high performance is at the heart of what we do. 2022 was a further year of strong progress, with improvement in all areas: health, safety and wellbeing; operational excellence; and environmental performance.

Health, safety and wellbeing
The health, safety and wellbeing of our employees is always our first priority, and our continuing commitment is core to our success. Our key health and safety metric is Lost Time Injury Frequency Rate ("LTIFR"), which saw a marked improvement in the year to 1.47 and is now ahead of our medium term target. Our concrete division achieved a fantastic milestone in 2022 by operating for a full year without a Lost Time Incident (LTI).

During the year, we placed considerable focus on evolving our culture through the launch of the "Ibstock Story" acting as a strong cultural catalyst, embedded a new health and safety management system across the business and created a Health & Wellbeing network to promote focus on mental health.

Operational excellence
The consistent performance of our factories is vital to ensure that we have a sustainable, cost-competitive operating footprint. During the year, we successfully rolled out the second phase of our Asset Transformation Programme across the clay network, driving a stronger culture of preventative

maintenance and improved reliability. This investment programme is starting to deliver significant benefits to our clay business, reflected in the strong fixed cost performance achieved during the 2022 year.

Within concrete, the establishment of a five-year automation plan within our fencing and building factories will support a significant uplift in capacity, efficiency and quality over the years ahead, helping to maintain our industry-leading margins.

Environmental performance
Our ESG 2030 Strategy provides a comprehensive framework to drive progress in our environmental performance. During the year, we established a set of detailed, factory-level targets, with an increased focus on measuring and improving environmental outcomes.

In 2022, we achieved an absolute carbon reduction of 13% relative to our 2019 baseline. Whilst this represented a slight increase year on year, we remain focussed on achieving our ambition of a 40% reduction by 2030. Noteworthy achievements in the year included a 31% reduction in mains water use and a 16% reduction in plastic packaging (with both metrics calculated per tonne of production against a 2019 baseline).

We are proud to have been awarded the 2022 Manufacturer of the Year at the Business Green awards, in recognition of our industry leadership for environmental sustainability.

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.

Product innovation
In a fast evolving construction market, continual product innovation is crucial to our success.

Within the clay division, we launched a number of new brick types, with a particular focus on simulated handmade bricks, premium products which will compete against brick types currently imported into the UK market.

In September 2022, our Concrete Division entered into a new partnership to create ultra-low carbon concrete products with Earth Friendly Concrete (EFC). EFC is more sustainable than traditional concrete, with around 70% less embodied carbon. The partnership will see EFC's ultra-low carbon, zero cement technology integrated into our diverse portfolio of high-performance building products over the years ahead, including our range of products for the rail, infrastructure and UK housing markets.

Customer experience
We continue to seek ways to enhance the experience of our customers at every stage of their engagement with us.

To this end, during the 2022 year we strengthened and diversified our nationwide distribution capabilities through the establishment of two new haulage relationships. This change will ensure that our business can access industry-leading technology, pursue greener fuel alternatives and optimise the efficiency of our haulage routes.

We have also taken steps during the year to simplify and improve the customer experience through further investment in our customer services teams and the development of a digital portal, allowing customers to place and amend orders more easily.

Digital transformation
The digitisation of our business will be a key strategic enabler over the coming years as we look to drive an increasing proportion of our activity through digital channels.

During 2022, we made the key appointment of a new Chief Information and Digital Officer (CIDO) who has been central to defining a medium-term digital transformation programme. This programme will be centred on two core principles: adopting a "One Ibstock" mind-set, standardising core platforms and ways of working to improve efficiency and reduce complexity; and customer centricity, focusing on superior integration and automation with our customers. In order to maintain our digital advantage, the year ahead will see us upgrade our core infrastructure, focused on the ERP platform, enterprise data and key customer-facing applications.

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 core

The enhancement projects within our existing Clay business, which were initiated in 2019, are now complete and delivering the planned capacity uplifts and process efficiencies. The Atlas and Aldridge growth projects are on track to commission from the end of 2023. These investments will deliver significant further capacity and with Atlas being our pathfinder factory on our journey to Net Zero, expected to produce an exciting range of carbon neutral verified products for our customers within the next 12 months.

Diversified growth

The continuing development of Ibstock Futures provides a focus for our strategic ambitions 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.

The two acquisitions completed in 2022 within Futures are strategically important, and both present the opportunity to scale rapidly over the medium term. We have also made significant progress in developing the organisation, strategy and medium-term goals of Futures and have a strong pipeline of opportunities to invest further capital in the service of diversified growth over the years ahead.

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. In 2022, we launched a people strategy centred on four elements: employee experience; attracting future talent; capabilities for resilience and growth; and creating culture as a point of difference.

Having a diverse workforce, which is truly representative of the communities in which we operate, is important to both our cultural ambitions and business success. At the end of the year, female leadership representation stood at 27%. We have clear plans in place to support the achievement of our 40% target by 2030.

Our industry-leading Apprenticeship programme continues to gather momentum, growing our pipeline of future talent. We are part of the "5% club" which targets having at least 5% of employees in "earn and learn" positions. We finished the 2022 year with over 50 early career positions (including apprentice roles) and over 120 of our other employees engaged in qualifying learning activities. This represented a total of 7.5% of earn & learn positions across the business, putting us firmly on course to achieve our ambition of at least 10% by 2030.

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 over the long-term. To this end, during the final quarter of the 2022 year, we made a one-off payment of up to £2,000 to colleagues most heavily impacted by the cost of living crisis, representing a total cost of around £4 million. We also made a grant of 500 free shares (Fire-up share award) during the 2022 year to all employees below the senior leadership team level, to ensure that value created flows through to all our employee stakeholders.

Progress towards medium-term targets

The platform of capability we now have in place, combined with the investments we are making, provide confidence in our ability to deliver strong growth over the medium-term.

Within the clay business, we are on track to commission our redeveloped Atlas and Aldridge factories by the end of the year, creating over 100 million bricks of lower cost capacity, and the UK's first verified carbon neutral clay bricks. With around £35 million of capital still to be spent, we expect to deliver at least an incremental £18 million of adjusted EBITDA[1] from 2025. Alongside this, incremental growth within the clay business will be driven by continuing to capture marginal gains in commercial execution, new product development and capacity/cost over the years ahead.

Within our concrete products business, we have a number of opportunities to deploy capital to realise further capacity in the network, access adjacent categories and capture cost savings through greater automation. We invested around £2 million of growth capital in 2022 in automated equipment for our walling stone factory in Anstone, Yorkshire, which will deliver around £1 million in incremental adjusted EBITDA[1] from 2024. We have a pipeline of further opportunities in concrete to invest capital for fast payback over the medium-term.

Within Futures, we have an ambition to create a significant, diversified business operating in modern construction markets over the next four years. The business, from its inception around 12 months ago, is already delivering strong growth, and will target revenues approaching £20 million in 2023, with both Telling and Generix scaling quickly as part of the Ibstock group. Our brick slips investments, comprising an automated slip line delivering up to 17 million slips, commissioning from the end of 2023, and the larger Nostell slip systems factory, at this stage expected to commission from the end of 2024, will create a strong, diversified position in this fast growing product category. And we have a pipeline of further opportunities, including our exciting sustainability projects, to deliver growth over the next few years. Overall, we expect Futures to grow revenues to £100 million, with adjusted EBITDA[1] margins approaching 20%, by 2026.

We have made strong initial progress, and expect this to momentum to continue over the next 6-18 months as we build towards our medium term ambitions.

Outlook for 2023

Trading in the early weeks of 2023 has continued to reflect the cautious demand environment experienced towards the end of last year although we anticipate this to improve as the year progresses, supported by sequential demand improvement. Against this background, we are maintaining a disciplined approach to capacity management, costs and commercial execution.

The Group is in good shape, with a clear strategy based on both core and diversified growth, sustainable market leadership positions and a strong balance sheet. As such, the Board's expectations for the full year are unchanged.

Chief Financial Officer's report

Introduction

The Group delivered a strong financial performance in 2022, with both profit and operating cash flows materially ahead of the comparative period. Demand in our end markets was firm, although we experienced lower volumes in the final quarter of the year, reflecting a more cautious demand environment.

The Group managed supply chain and inflationary challenges well, and the dynamic pricing approach taken in both the clay and concrete divisions was successful in recovering cost inflation during the year. A continued disciplined focus on cost management underpinned an improved margin performance, with adjusted EBITDA[1] margins increasing by 200 basis points to 27.2% in the 2022 year (2021: 25.2%).

Alongside this strong trading performance, the Group maintained its intense focus on capital management, delivering a good cash flow performance for the year. This was instrumental in enabling the Group to maintain a strong balance sheet, with closing net debt[1] of £46 million at 31 December 2022 resulting in leverage[1] of 0.4 times (Dec 2021: 0.4 times).

In line with our dynamic approach to capital allocation, we deployed around £38 million of capital investments in the service of future growth (over and above our sustaining investments), and completed a £30 million share buyback. With our strong financial position, and inherently cash generative business, we expect to generate significant further cash to support growth and shareholder returns over the medium term.

During the final quarter of the year, the Group took the opportunity to extend its Revolving Credit Facility, in accordance with the terms of its 4+1 year agreement completed in November 2021, thereby extending by a further 12 months its debt maturity profile on terms aligned to the existing agreement. At 31 December 2022, the Group had £125 million of undrawn committed facilities in place.

In December 2022 the Group also agreed a buy-in transaction for the main defined benefit pension scheme, involving the purchase of an insurance contract with a specialist pensions provider which will cover all remaining pension liabilities. This transaction, which involved no initial cash payment by the Company, is expected to substantially complete during the 2023 financial year. We are delighted to have completed this significant further step towards removing pensions risk from the Group's balance sheet.

Climate Change & TCFD

As a long-term business, a commitment to environmental sustainability and social progress is central to the company's purpose. We have invested significant capital over the last decade, with investment projects across the Group's plant network contributing to a material reduction in the carbon intensity of our manufacturing processes. Having achieved strong progress against our previous targets, during 2021 we reviewed our ESG strategy and ambitions in order to drive progress and continue to show industry leadership in this area.

At the same time, in order to assess the resilience of our business model, as part of our strategic planning process we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. The outputs from this exercise are detailed in our TCFD disclosures in the 2022 Annual Report and Accounts.

The Group is committed to increasing the transparency of reporting around climate impacts, risks, and opportunities. This year we have progressed to achieve full compliance with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

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 EBITDA[1] for the year

	Clay	Concrete	Central costs	Total
	£'m	£'m	£'m	£'m
Year ended 31 December 2022				
Total revenue	**369.2**	**143.7**	**-**	**512.9**
Adjusted EBITDA[1]	**126.7**	**23.6**	**(10.6)**	**139.7**
Margin	**34.3%**	**16.4%**		**27.2%**
Year ended 31 December 2021				
Total revenue	**280.2**	**128.4**	**-**	**408.7**
Adjusted EBITDA[1]	**90.6**	**21.7**	**(9.3)**	**103.1**
Margin	**32.3%**	**16.9%**		**25.2%**

[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

Revenue
Group revenue for the 2022 year increased by 26% to £512.9 million (2021: £408.7 million). Performance benefited from strong pricing management, and reflected a robust demand backdrop for the majority of the year, although market activity slowed in the final quarter, reflecting a more cautious demand environment.

In our Clay division, revenues of £369.2 million represented an increase of 32% on the prior year period (2021: £280.2 million). Performance reflected a material price benefit, delivered through a dynamic commercial approach. Volumes were in line with the comparative period, despite lower volumes in the final quarter as activity slowed in response to a reduction in end-market demand. Our Futures business contributed around £4 million of revenue (2021: nil).

In our Concrete division, revenue increased by 12% year-on-year to £143.7 million (2021: £128.4 million), with marginally lower volumes more than offset by a strong pricing benefit, which recovered in full the impact of significant cost inflation. Infrastructure sales volumes increased year-on-year, and walling stone volumes also increased as the Group grew share in certain key regional territories. This helped offset lower sales volumes in flooring and roof tiles.

Whilst we expect market conditions in 2023 to be more challenging, we continue to monitor cost impacts closely and remain committed to taking the actions necessary to protect unit margins.

Adjusted EBITDA[1]
Management measures the Group's operating performance using adjusted EBITDA[1]. Adjusted EBITDA[1] increased materially year on year to £139.7 million in 2022 (2021: £103.1 million).

Performance in 2022 benefited from resilient end markets, alongside strong commercial execution to recover in full significant variable cost inflation. These actions, combined with the disciplined management of cost, resulted in a material improvement in adjusted EBITDA[1] margins, which increased by 200 basis points to 27.2% (2021: 25.2%). In response to the challenges faced by our employees, we made a one-off cost of living payment, totalling a cost of around £4 million, during the 2022 year.

Within the Clay division, adjusted EBITDA[1] totalled £126.7 million (2021: £90.6 million), representing an adjusted EBITDA[1] margin of 34.3% (2021: 32.3%). The improvement in adjusted EBITDA[1] reflected a combination of significant pricing benefits, solid operational performance and disciplined cost management. The division recognised a loss of £5.3 million in respect of Ibstock Futures, as the business continued to invest in research & development, in-house innovation and commercial capability.

Adjusted EBITDA[1] in our Concrete division increased to £23.6 million (2021: £21.7 million), as the division continued to benefit from its exposure to a broad range of residential and infrastructure markets. Adjusted EBITDA[1] margins of 16.4% were marginally below 2021 levels (2021: 16.9%), reflecting principally the impact of operational challenges during the first half of the year at our roof tile factory in Leighton Buzzard. As expected, adjusted EBITDA[1] margins moved forwards during the second half of the year.

Central costs increased to £10.6 million (2021: £9.3 million) reflecting higher variable remuneration costs and the initial impact of the Fire-up share award to all employees below the senior leadership team level.

Exceptional items[1]
Based on the application of our accounting policy for exceptional items[1], certain income and expense items have been excluded in arriving at adjusted EBITDA[1] to aid shareholders' understanding of the Group's underlying financial performance.

The amounts classified as exceptional[1] in the period totalled a net gain of £6.3 million (2021: £5.2 million gain), comprising:

1. Exceptional net cash credit of £6.9 million (which were substantially cash settled in the period):

   a) £7.0 million of exceptional cash profits arising from the disposal of a surplus property in Sussex during the 2022 year;

   b) £0.1 million charge of other one-off operating costs;

2. An exceptional non-cash charge of £0.6 million comprising of an impairment associated with the Group's closure of sites as part of its single co-ordinated restructuring plan.

Further details of exceptional items[1] are set out in Note 5 of the financial statements.

Finance costs
Net finance costs of £2.7 million were below the level of the prior year (2021: £5.0m) with lower interest cost on our borrowings (reflecting the favourable debt refinancing completed in November 2021) and increased interest income from the Group's main defined benefit pension scheme. The Group incurred costs of around £0.3 million during the second half of the 2022 year related to the 12-month extension of its Revolving Credit Facility.

Profit before taxation
Group statutory profit before taxation was £104.8 million (2021: £64.9 million), reflecting stronger trading, with the current year result including an exceptional credit[1] of £6.3 million (2021: credit of £5.2 million).

Taxation
The Group recorded a taxation charge of £17.9 million (2021: £33.1 million) on Group pre-tax profits of £104.8 million (2021: £64.9 million), resulting in an effective tax rate ("ETR") of 17.1% (2021: 51.0%) compared with the standard rate of UK corporation tax of 19%. The lower statutory tax charge and ETR are primarily due to no taxable gain arising on the land disposal during the year as well as a prior year deferred tax credit being recognised as a result of reassessing the deferred tax balance relating to property, plant and equipment.

The adjusted ETR[1] (excluding the impact of the deferred tax rate change and exceptional items) for the 2022 year was 16.5% (2021: 18.1%). The reduction in adjusted ETR from the prior year was due primarily to the higher level of permanent benefit arising from the super deduction which provides statutory tax relief on 130% of qualifying capital expenditure. The other main item affecting the adjusted ETR is the prior year deferred tax credit referred to above.

Earnings per share
Group statutory basic earnings per share (EPS) increased to 21.6 pence in the year to 31 December 2022 (2021: of 7.8 pence) principally as a result of the Group's increased profit after taxation, reflecting the stronger trading result.

Group adjusted basic EPS[1] of 22.7 pence per share increased significantly from the 13.9 pence reported last year, reflecting the increased adjusted EBITDA[1] achieved in the year and a modest reduction in the adjusted effective tax rate. In line with prior years, our adjusted EPS[1] metric removes the impact of exceptional items[1], the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts, net of the related taxation charges/credits. Adjusted EPS[1] has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS[1] measure is included in Note 7.

Table 1: Earnings per share

	2022 pence	2021 pence
Statutory basic EPS – Continuing operations	**21.6**	**7.8**
Adjusted basic EPS[1] – Continuing operations	**22.7**	**13.9**

Cash flow and net debt[1]
Adjusted operating cash flow increased by £32 million to £108.0 million (2021: 76.0 million), principally due to a material increase in adjusted EBITDA[1]. The Group reported a modest increase in working capital totalling £1.8 million outflow (2021: £5.4 million inflow) as a small increase in finished goods inventory levels was substantially offset by robust management of trade receivables, reflecting the continuing progress made by the organisation in reducing DSO.

Net interest paid in 2022 reduced to £4.3 million (2021: £5.6 million) reflecting the lower interest coupon following the refinancing of the Group's debt in November 2021. Tax payments totalled £11.7 million (2021: £10.0 million), on higher levels of taxable profit compared to the prior year. Other cash outflows of £12.1 million (2021: £15.1 million outflow) included amounts totalling £5.6 million in respect of carbon emission credits purchased during the year (2021: £6.4 million), with the balance being principally operating leases payments.

With Adjusted Operating Cash Flows[1] in 2022 increasing materially from the prior year, the Cash conversion[1] percentage increased to 77% (from 74% in 2021), reflecting strong balance sheet discipline and working capital focus.

Adjusted free cash flow[1] decreased marginally in the year to £49.7 million (2021: £51.0 million), as capital expenditure of £58.4 million increased by £33.4 million on 2021 (£25.0 million). The 2022 figure comprised around £21 million of sustaining expenditure, £33 million on the Atlas and Aldridge redevelopments and around £4 million on other growth projects. In the 2023 year, sustaining expenditure is expected to be around £20 million, with growth investments in Atlas, Aldridge and Futures expected to total approximately £55 million.

During the 2022 year, we completed a £30 million share buyback programme, demonstrating our ability to deliver enhanced returns to shareholders whilst continuing to invest in our future growth.

Table 2: Cash flow (non-statutory)

	2022 **£'m**	**2021** **£'m**	Change £'m
Adjusted EBITDA[1]	139.7	103.1	36.6
Adjusted change in working capital[1]	(1.8)	5.4	(7.1)
Net interest	(4.3)	(5.6)	1.3
Tax	(11.7)	(10.0)	(1.7)
Post-employment benefits	(1.8)	(1.8)	-
Other[2]	(12.1)	(15.1)	2.9
Adjusted operating cash flow[1]	108.0	76.0	32.0
Cash conversion[1]	77%	74%	+3ppts
Total capex	(58.4)	(25.0)	(33.4)
Adjusted free cash flow[1]	49.7	51.0	(1.4)

[1] Alternative Performance Measures are described in Note 3 to the consolidated financial statements.
[2] Other includes operating lease payments and emission allowances purchases in all years

The table above excludes cash flows relating to exceptional items[1] in both years. During 2022, the Group completed the sale of surplus property, generating cash inflows of £7.8 million (2021: £2.9 million), which was classified as an exceptional item. We continue to focus on recycling capital from the Group's property portfolio, and anticipate further surplus land disposals over the medium term.

Net debt[1] (borrowings less cash) at 31 December 2022 totalled £45.9 million (31 December 2021: £38.9 million; 30 June 2022: £35.7 million). The movement during the 2022 year reflected the benefit of strong operating cash flows offset by around £58.4 million of capital expenditure and the impact of a £30 million share buy-back.

During the final quarter of the year, the Group extended by a further 12 months its Revolving Credit Facility, in accordance with the terms of its 4+1 year agreement completed in November 2021, on terms aligned to the existing agreement. At 31 December 2022, the Group had £125 million of undrawn committed facilities in place.

Return on capital employed[1]

Return on capital employed[1] (ROCE) in 2022 increased to 23.4% (2021: 15.8%). The substantial improvement compared to the prior year reflected both a significant increase in adjusted operating profit and a small increase in the capital base, as both working and fixed capital were well controlled.

Capital allocation

The Group's capital allocation framework remains consistent with that laid out in 2020, with the Group committed to allocating capital in a disciplined and dynamic 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. We are committed to paying dividends which are sustainable and progressive, with targeted cover of approximately 2 times underlying earnings through the cycle;
- Thereafter, we will deploy capital for growth, both inorganically and organically, in accordance with our strategic and financial investment criteria;
- And, finally, we will return surplus capital to shareholders.

Our framework remains underpinned by our commitment to maintaining a strong balance sheet, and we will look to maintain leverage at between 0.5 and 1.5 times net debt[1] to adjusted EBITDA[1] excluding the impact of IFRS 16, through the cycle.

During the 2022 year, we completed a £30 million share buyback programme, purchasing around 17 million shares, and equivalent to around 4% of the Group's issued share capital.

We expect to deploy significant growth capital in the business during the 2023 year and beyond, with a growing pipeline of both organic and inorganic opportunities. The Board expects there to be capital generated in excess of that required for its investment requirements and remains committed to returning surplus capital to shareholders as part of its dynamic and disciplined capital allocation strategy. The potential for additional returns of capital will be kept under active review.

Dividend

Reflecting the very strong profit performance of the business, the Board is pleased to recommend a final dividend of 5.5p per share (2021: 5.0p), for payment on 12 May 2023 to shareholders on the register on 21 April 2023. This will bring the full year dividend to 8.8p per share (2021: 7.5p), an increase of 17%. In recommending this level of dividend, the Board remains mindful of its objective to deliver a sustainable and progressive ordinary dividend over time.

Pensions
At 31 December 2022, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £15.2 million (31 December 2021: surplus of £57.8 million). Applying the valuation principles set out in IAS19, at the year end the scheme had asset levels of £373.6 million (31 December 2021: £618.0 million) against scheme liabilities of £358.4 million (31 December 2021: £560.3 million).

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Group's continuing strategy of de-risking its pensions exposure. Together with the partial buy-in transaction in 2020, this will insure all of the Group's defined benefit liabilities. This transaction, which involved no initial cash payment by the Company, is expected to substantially complete during the 2023 financial year.

The net decrease in balance sheet surplus over the period is primarily due to asset performance which has been largely offset by a significant actuarial gain arising on the liabilities from a change in market conditions, particularly the rise in corporate bond yields, coupled with the asset loss from the full Scheme buy-in which transacted in December 2022.

Based on an existing funding agreement, a contribution level of £1.75 million per annum has applied from February 2022, increasing to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024. In light of the fact that the pension scheme was in a net surplus position after the full buy-in, the Trustees and the Group have agreed that the Group would suspend paying regular contributions with effect from 1 March 2023.

Related party transactions
Related party transactions are disclosed in Note 15 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

Subsequent events

In light of the fact that the Ibstock Pension Scheme was in a net surplus position after the full pension buy-in, the Group and the Trustees of the Ibstock Pension Scheme agreed on 27 February 2023 that the Group would suspend regular contributions into the pension scheme with effect from 1 March 2023.

Except for this pension contribution agreement and the proposed ordinary dividend, no further subsequent events requiring either disclosure or adjustment to these financial statements have arisen since the balance sheet date.

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.

Statement of directors' responsibilities in relation to the financial statements

The 2022 Annual Report and Accounts which will be issued in March 2023, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report on 7 March 2023, the Directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings included in the consolidation taken as a whole; and

- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 7 March 2023 and is signed on its behalf by:

Joe Hudson	Chris McLeish
Chief Executive Officer	Chief Financial Officer
7 March 2023	7 March 2023

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
		£'000	£'000
Revenue	4	512,886	408,656
Cost of sales before exceptional items		(315,841)	(267,662)
Exceptional (cost of)/income from sales	5	(680)	3,495
Cost of sales		(316,521)	(264,167)
Gross profit		**196,365**	**144,489**
Distribution costs		(47,961)	(38,829)
Administrative expenses before exceptional items		(49,624)	(41,511)
Exceptional administrative items	5	-	(287)
Administrative expenses		(49,624)	(41,798)
Profit on disposal of property, plant and equipment before exceptional items		(417)	1,638
Exceptional profit on disposal of property, plant and equipment	5	6,958	2,022
Total profit on disposal of property, plant and equipment		6,541	3,660
Other income		2,630	2,524
Other expenses		(524)	(112)
Operating profit		**107,427**	**69,934**
Finance costs		(4,553)	(5,831)
Finance income		1,890	839
Net finance cost		**(2,663)**	**(4,992)**
Profit before taxation		**104,764**	**64,942**
Taxation	6	(17,884)	(33,129)
Profit for the financial year		**86,880**	**31,813**
Profit attributable to:			
Owners of the parent		**86,908**	**31,813**
Non-controlling interest		**(28)**	-

	Notes	pence per share	pence per share
Earnings per share			
Basic - continuing operations	7	21.6	7.8
Diluted - continuing operations	7	21.5	7.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
		£'000	£'000
Profit for the financial year		**86,880**	**31,813**
Other comprehensive income/(expenses):			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges[1]		641	(74)
Related tax movements[1]		(149)	14
		492	(60)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of post-employment benefit assets and obligations[1]	12	(44,581)	12,862
Related tax movements[1]		11,147	(2,525)
		(33,434)	10,337
Other comprehensive (expense)/income for the year net of tax		**(32,942)**	**10,277**
Total comprehensive income for the year, net of tax		**53,938**	**42,090**
Total comprehensive income/(expense) attributable to:			
Owners of the parent		53,966	42,090
Non-controlling interest		(28)	-

[1] Impacting retained earnings

Non-GAAP measure

Reconciliation of adjusted EBITDA to Operating profit for the financial year for continuing operations

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
		£'000	£'000
Operating profit		107,427	69,934
Less exceptional items impacting operating profit	5	(6,278)	(5,230)
Add back depreciation and amortisation	4	38,518	38,349
Adjusted EBITDA		139,667	103,053

CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2022**	31 December 2021
		£’000	£’000
Assets			
Non-current assets			
Intangible assets		90,242	94,625
Property, plant and equipment		409,091	375,800
Right-of-use assets		31,478	25,114
Derivative financial instruments		116	-
Post-employment benefit asset	12	15,194	57,754
		546,121	553,293
Current assets			
Inventories		94,275	72,821
Current tax recoverable		1,717	3,199
Derivative financial instruments		451	-
Trade and other receivables		65,935	64,756
Cash and cash equivalents		54,283	61,199
		216,661	201,975
Assets held for sale		-	875
Total assets		762,782	756,143
Current liabilities			
Trade and other payables		(120,003)	(103,132)
Derivative financial instrument		-	(74)
Borrowings	8	(436)	(333)
Lease liabilities		(7,690)	(6,860)
Provisions	9	(1,613)	(1,869)
		(129,742)	(112,268)
Net current assets		86,919	90,582
Total assets less current liabilities		633,040	643,875
Non-current liabilities			
Borrowings	8	(99,769)	(99,738)
Lease liabilities		(25,414)	(20,324)
Deferred tax liabilities		(84,349)	(92,352)
Provisions	9	(7,299)	(8,232)
		(216,831)	(220,646)
Total liabilities		(346,573)	(332,914)
Net assets		416,209	423,229
Equity			
Share capital		4,096	4,096
Share premium		4,458	4,458
Retained earnings		807,894	785,609
Other reserves	14	(400,290)	(370,934)
Equity attributable to owners of the company		416,158	423,229
Non-controlling interest		51	-
Total equity		416,209	423,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Other reserves (Note 14)	**Total equity attributable to owners**	**Non-controlling interest**	**Total equity**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2022	**4,096**	**4,458**	**785,609**	**(370,934)**	**423,229**	**-**	**423,229**
Profit for the year	-	-	86,908	-	**86,908**	**(28)**	**86,880**
Other comprehensive (expense)/income	-	-	(33,434)	492	**(32,942)**	**-**	**(32,942)**
Total comprehensive income/(expense) for the year	-	-	53,474	492	**53,966**	**(28)**	**53,938**
Transactions with owners:							
Share based payments	-	-	2,547	-	**2,547**	**-**	**2,547**
Current tax on share based payment	-	-	1	-	**1**	**-**	**1**
Deferred tax on share based payment	-	-	116	-	**116**	**-**	**116**
Equity dividends paid	-	-	(33,701)	-	**(33,701)**	**-**	**(33,701)**
Purchase of own shares	-	-	-	(30,000)	**(30,000)**	**-**	**(30,000)**
Issue of own shares held on exercise of share options	-	-	(152)	152	**-**	**-**	**-**
Acquisition of subsidiary non-controlling interest	-	-	-	-	**-**	**79**	**79**
At 31 December 2022	**4,096**	**4,458**	**807,894**	**(400,290)**	**416,158**	**51**	**416,209**

	Share capital	Share premium	Retained earnings	Other reserves (Note 14)	**Total equity attributable to owners**	**Non-controlling interest**	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	4,096	4,333	759,483	(370,041)	397,871	-	397,871
Profit for the year	-	-	31,813	-	31,813	-	31,813
Other comprehensive income/(expense)	-	-	10,351	(74)	10,277	-	10,277
Total comprehensive income/(expense) for the year	-	-	42,164	(74)	42,090	-	42,090
Transactions with owners:							
Share based payments	-	-	890	-	890	-	890
Deferred tax on share based payment	-	-	35	-	35	-	35
Equity dividends paid	-	-	(16,780)	-	(16,780)	-	(16,780)
Purchase of own shares	-	-	-	(1,309)	(1,309)	-	(1,309)
Issue of share capital on exercise of share options	-	125	-	-	125	-	125
Issue of own shares held on exercise of share options	-	-	(183)	490	307	-	307
At 31 December 2021	4,096	4,458	785,609	(370,934)	423,229	**-**	423,229

CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 December 2022	Year ended 31 December 2021
		£'000	£'000
Cash flow from operating activities			
Cash generated from operations	11	137,765	100,497
Interest paid		(2,888)	(2,928)
Other interest paid - lease liabilities		(1,274)	(1,107)
Tax paid		(11,699)	(9,960)
Net cash inflow from operating activities		121,904	86,502
Cash flows from investing activities			
Purchase of property, plant and equipment		(58,354)	(24,960)
Proceeds from sale of property plant and equipment		50	874
Proceeds from sale of property plant and equipment - exceptional		7,833	2,882
Purchase of intangible assets		(5,573)	(6,402)
Settlement of deferred consideration		-	(413)
Payment for acquisition of subsidiary undertaking, net of cash acquired	13	(959)	-
Interest received		124	-
Net cash outflow from investing activities		(56,879)	(28,019)
Cash flows from financing activities			
Dividends paid		(33,701)	(16,780)
Drawdown of borrowings		-	170,000
Repayment of borrowings		-	(160,000)
Debt issue costs		(259)	(1,563)
Repayment of lease liabilities		(8,010)	(7,575)
Proceeds from issuance of equity shares		-	432
Purchase of own shares by Employee Benefit Trust		-	(1,309)
Cash outflow from purchase of shares	14	(30,000)	-
Net cash outflow from financing activities		(71,970)	(16,795)
Net (decrease)/increase in cash and cash equivalents		(6,945)	41,688
Cash and cash equivalents at beginning of the year		61,199	19,552
Exchange losses on cash and cash equivalents		29	(41)
Cash and cash equivalents at end of the year		54,283	61,199

Reconciliation of changes in cash and cash equivalents to movement in net debt

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Net (decrease)/increase in cash and cash equivalents	(6,945)	41,688
Proceeds from borrowings	-	(170,000)
Repayment of borrowings	-	160,000
Non-cash debt movement	(134)	(1,335)
Effect of foreign exchange rate changes	29	(41)
Movement in net debt	(7,050)	30,312
Net debt at start of year	(38,872)	(69,184)
Net debt at end of year (Note 3)	**(45,922)**	**(38,872)**
Comprising:		
Cash and cash equivalents	54,283	61,199
Short-term borrowings (Note 8)	(436)	(333)
Long-term borrowings (Note 8)	(99,769)	(99,738)
	(45,922)	(38,872)

1. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Ibstock plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 7 March 2023. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish. Ibstock plc is a public company limited by shares, which is incorporated and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire, LE67 6HS and the company registration number is 09760850.

2. BASIS OF PREPARATION

The consolidated financial statements of Ibstock plc for the year ended 31 December 2022 have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations as issued by the IASB and IFRS as adopted by the UK. They are prepared on the basis of all IFRS accounting standards and interpretations that are mandatory for the period ended 31 December 2022 and in accordance with the Companies Act 2006. The comparative financial information has also been prepared on this basis.

The financial information set out does not constitute the Company's statutory accounts for the year ended 31 December 2022 but is derived from those accounts. Statutory accounts for 2022 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2022. The consolidated financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated. The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2022. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2022, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Following the end of the Brexit transition period on 31 December 2020, IFRS Standards as adopted by the EU were brought into UK law and UK-adopted IFRS Standards came into effect for the prior year commencing 1 January 2021.

Going concern

Despite the macroeconomic downturn and the resulting decrease in activity levels across the UK construction industry in quarter four of 2022, there are initial positive external market indicators and consequently reduced levels of uncertainty looking forward. Management does not believe that the going concern basis of preparation represents a significant judgement.

The Group's financial planning and forecasting process consists of a budget for the next year followed by a medium term projection. The Directors have reviewed and robustly challenged the assumptions about future trading performance, operational and capital expenditure and debt requirements within these forecasts including the Group's liquidity and covenant forecasts, and stress testing within their going concern assessment.

In arriving at their conclusion on going concern, the Directors have given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group, particularly those relating to economic conditions and operational disruption. The strategic report sets out in more detail the Group's approach and risk management framework.

Group forecasts have been prepared which reflect both actual conditions and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group.

During the final quarter of the 2021 year, the Group completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), replacing the existing facility with the issuance of £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four year tenor, with a one year extension option. In addition, in the final quarter of 2022, the Group enacted a one-year extension of the £125 million RCF, extending maturity to November 2026 on similar terms to the original agreement. At 31 December 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 EBITDA, and interest cover of no less than 4 times, tested bi-annually at each reporting date with reference to the previous 12 months. At 31 December 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 most severe but plausible scenario industry demand for Clay and Concrete products in 2023 is projected to be around 34% and 30% lower respectively than 2022, which is modestly worse than the sales reduction seen in 2020 during the height of the pandemic, recovering to around 10% lower than 2022 in 2024.

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 are taken. This test indicates that, at a reduction of 45% in sales volumes in 2023 and 40% in the first half of 2024 versus 2022 levels, the Group would be at risk of breaching its covenants.

In the severe but plausible scenario, the Group has sufficient liquidity and headroom against its covenants, with covenant headroom expressed as a percentage of annual adjusted EBITDA[1] being in excess of 45%.

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 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 are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

In the current year, 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.

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

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

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

Adjusted EPS

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

The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial statements in assessing the performance of the Group, when comparing its performance across periods, as well as being used in 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.

The Net debt to adjusted EBITDA ratio definition removes the operating lease expense benefit generated from IFRS16 compared to IAS 17 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.

Net debt is shown at the foot of the Group consolidated cash flow statement. A full reconciliation of the net debt to adjusted EBITDA ratio (also referred to as 'leverage') is set out below:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	**£'000**
Net debt	**(45,922)**	(38,872)
Adjusted EBITDA	**139,667**	103,053
Impact of IFRS 16	**(8,491)**	(7,171)
Adjusted EBITDA prior to IFRS 16	**131,176**	95,882
Ratio of net debt to adjusted EBITDA	**0.4x**	0.4x

Adjusted Return on Capital Employed (Adjusted ROCE)

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

The Directors disclose the Adjusted 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 Adjusted ROCE is set out below:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	**£'000**
Adjusted EBITDA	**139,667**	103,053
Less depreciation	**(31,579)**	(31,409)
Less amortisation	**(6,939)**	(6,940)
Adjusted earnings before interest and taxation	**101,149**	64,704
Average net debt	**40,791**	46,169
Average equity	**426,501**	412,761
Average pension	**(35,707)**	(50,138)
Average capital employed	**431,585**	408,792
Adjusted ROCE	**23.4%**	**15.8%**

Average capital employed figures comprise:

	31 December 2022	30 June 2022	31 December 2021	30 June 2021
	£'000	**£'000**	**£'000**	**£'000**
Net debt	45,922	35,660	38,872	53,466
Equity	416,209	436,792	423,229	402,293
Pension	15,194	56,219	57,754	42,521

Adjusted effective tax rate

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

A reconciliation of the adjusted ETR to the statutory UK rate of taxation is included in Note 6.

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 non-exceptional 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 flows associated with exceptional items arising in the year of £0.3 million (2021: adding back cash flows of £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 £7.3 million (2021: £1.7 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment and lease payments reclassified from investing or financing activities of £6.8 million (2021: £12.2million).

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.

Year ended 31 December 2022	**Statutory £'000**	Exceptional **£'000**	Reclassification **£'000**	**Adjusted £'000**
Adjusted EBITDA	146,115	(6,448)	-	139,667
Change in working capital	(2,035)	267	-	(1,768)
Impairment charges	382	(382)	-	-
Net interest	(4,162)	-	(135)	(4,297)
Tax	(11,699)	-	-	(11,699)
Post-employment benefits	(973)	-	(777)	(1,750)
Other	(5,554)	(705)	(5,882)	(12,141)
Adjusted operating cash flow	122,074	(7,268)	(6,794)	108,012
Cash conversion				77%
Total capex	(58,354)	-	-	(58,354)
Adjusted free cash flow	63,720	(7,268)	(6,794)	49,658

Year ended 31 December 2021	**Statutory £'000**	Exceptional **£'000**	Reclassification **£'000**	**Adjusted £'000**
Adjusted EBITDA	108,283	(5,230)	-	103,053
Change in working capital	3,330	2,028	-	5,358
Impairment charges	(5,797)	5,797	-	-
Net interest	(4,035)	-	(1,563)	(5,598)
Tax	(9,960)	-	-	(9,960)

Post-employment benefits	(789)	-	(961)	(1,750)
Other	(4,530)	(860)	(9,673)	(15,063)
Adjusted operating cash flow	86,502	1,735	(12,197)	76,040
Cash conversion				74%
Total capex	(24,960)	-	-	(24,960)
Adjusted free cash flow	61,542	1,735	(12,197)	51,080

4. SEGMENT REPORTING

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

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

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

For both years presented, the activities of Ibstock Futures were managed and reported as part of the Clay division. Consequently, the position and performance of Ibstock Futures for all periods has been classified within the Clay reportable segment.

	Year ended 31 December 2022			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
-				
Total revenue	**369,193**	**143,693**	**-**	**512,886**
Adjusted EBITDA	**126,687**	**23,604**	**(10,624)**	**139,667**
Adjusted EBITDA margin	***34.3%***	***16.4%***		***27.2%***
Exceptional items impacting operating profit (see Note 5)	6,222	56	-	6,278
Depreciation and amortisation pre fair value uplift	(20,659)	(5,546)	(187)	(26,392)
Incremental depreciation and amortisation following fair value uplift	(6,936)	(5,190)	-	(12,126)
Net finance costs	(366)	(430)	(1,867)	(2,663)
Profit/(loss) before tax	**104,948**	**12,494**	**(12,678)**	**104,764**
Taxation				(17,884)
Profit for the year				**86,880**
Consolidated total assets	596,769	146,553	19,460	762,782
Consolidated total liabilities	(183,079)	(52,172)	(111,322)	(346,573)
Non-current assets				
Consolidated total intangible assets	60,945	29,297	-	90,242
Property, plant and equipment	361,389	47,702	-	409,091
Right-of-use assets	20,869	10,419	190	31,478
Total	**443,203**	**87,418**	**190**	**530,811**
Total non-current asset additions	**70,118**	**8,713**	**131**	**78,962**

Included within the revenue of our Concrete operations during the year ended 31 December 2022 were £0.1 million of bill and hold transactions. At 31 December 2022, £0.4 million of inventory relating to these bill and hold transactions remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes (£2.7 million), plc Board and other plc employment costs (£6.4 million), pension costs (£0.8 million) and legal/administrative expenses (£2.8 million). These costs have been offset by research and development taxation credits (£1.6 million) and £0.5

million of provision credits related to the discount rate applied. During the current year, one customer accounted for greater than 10% of Group revenues with £80.6 million of sales across the Clay and Concrete divisions.

	Year ended 31 December 2021			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
Total revenue	**280,235**	**128,421**	**-**	**408,656**
Adjusted EBITDA	**90,634**	**21,740**	**(9,321)**	**103,053**
Adjusted EBITDA margin	***32.3%***	***16.9%***		***25.2%***
Exceptional items impacting operating profit (see Note 5)	5,347	(117)	-	5,230
Depreciation and amortisation pre fair value uplift	(22,101)	(5,981)	(135)	(28,217)
Incremental depreciation and amortisation following fair value uplift	(5,834)	(4,298)	-	(10,132)
Net finance costs	(809)	(202)	(3,981)	(4,992)
Profit/(loss) before tax	**67,237**	**11,142**	**(13,437)**	**64,942**
Taxation				(33,129)
Profit for the year				**31,813**
Consolidated total assets	547,472	145,478	63,193	756,143
Consolidated total liabilities	(155,589)	(56,764)	(120,561)	(332,914)
Non-current assets				
Consolidated total intangible assets	61,084	33,541	-	94,625
Property, plant and equipment	329,288	46,512	-	375,800
Right-of-use assets	15,438	9,430	246	25,114
Total non-current assets	405,810	89,483	246	495,539
Total non-current asset additions	30,834	6,035	-	36,869

Included within the revenue of our Concrete operations during the year ended 31 December 2021 were £1.2 million of bill and hold transactions. At 31 December 2021, £0.7 million of inventory relating to these sales remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£0.9 million), plc Board and other plc employment costs (£5.8 million), pension costs (£1.0 million) and legal/administrative expenses (£3.3 million). These costs have been offset by research and development taxation credits (£1.7 million). During the current year, one customer accounted for greater than 10% of Group revenues with £56.7m of sales within the Clay division.

5. EXCEPTIONAL ITEMS

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Exceptional (cost of)/income from sales		
Impairment (charge)/reversal - Property, plant and equipment	**(554)**	5,623
Impairment reversal - Right-of-use assets	**-**	174
Total impairment (charge)/credit	**(554)**	5,797
Other costs associated with restructuring programme	**(126)**	(2,302)
Total exceptional (cost of)/income from sales	**(680)**	3,495

Exceptional administrative expenses:		
Redundancy costs	-	(100)
COVID-19 administrative expenses	-	(187)
Total exceptional administrative expenses	-	(287)
Exceptional profit on disposal of property plant and equipment	**6,958**	2,022
Exceptional items impacting operating profit	**6,278**	5,230
Total exceptional items	**6,278**	5,230

2022

Included within the current year were the following exceptional items:

Impairment charge – property, plant and equipment

The Group impaired the fixed assets at Atlas as part of a restructuring programme in 2020. Upon making the decision to redevelop the factory, a partial reversal of this amount was recognised in 2021, based on an estimate of the assets which were fit for continuing usage. As the redevelopment activity at the Atlas site has continued, existing building assets have been identified as unfit for usage, thereby requiring replacement.

Accordingly, those assets that have been identified as unfit for usage have been fully impaired in the current period. This impairment expense is, in effect, an adjustment to the impairment reversal booked in 2021. As such, it is considered appropriate to treat this adjustment on a basis consistent with the corresponding entry in 2021.

Other costs associated with restructuring programme

As part of the Group-wide restructuring plan to upgrade the Group, the business announced during 2020 a single coordinated plan to rationalise its sites. This programme proceeded throughout 2021 and the costs, as expected, concluded during the first half of 2022.

The Group incurred c£0.1m of net residual costs relating to the sites subject to closure during the 2022 year. The net balance in the current period comprised rates and other standing charges related to the former operations, partly offset by savings from previously provided redundancy schemes.

Exceptional profit on disposal of property, plant and equipment

The Group completed the sale of land and buildings at West Hoathly, Sussex in October for a total consideration (net of costs and sales tax) of £7.8m. The combined book value of the site amounted to £0.8m, which had previously been disclosed with assets held for resale, leading to a gross profit of £7.0m being recognised as an exceptional gain in 2022.

2021

Included within the prior year were the following exceptional items:

Exceptional income from sales

Impairment reversals arose in the period following the Group's announcements during 2021 to redevelop its Atlas and Nostell manufacturing sites within the Clay segment, together with the decision to retain the leased Northwich administrative facility within the Concrete segment. These decisions are expected to lead to the utilisation of assets that were impaired in 2020 following the Group's restructuring programme in response to the deterioration in near-term demand outlook caused by the COVID-19 pandemic. Due to the initial impairment charge treatment as exceptional items, the reversal is similarly categorised as exceptional.

Other costs associated with the closure of sites represent other expenses incurred as a result of the Group's restructuring programme during the prior year. These costs include site security, insurance, rates and other standing charges in connection with closed sites. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to them.

Exceptional administration expenses

Exceptional redundancy costs incurred in the prior year related to residual costs of redundancy of employees within the Group's selling, general and administrative ("SG&A") functions following the restructuring programme announced in June 2020. The costs are net of savings achieved by the Group as a result of decisions to retain employees, who had initially been notified of redundancy. Due to the initial restructuring charge treatment as exceptional, the reversal is similarly categorised as an exceptional item.

COVID-19 administrative costs in 2021 related to costs incurred in acquiring personal protective and health screening equipment associated with the return to work, and the costs of acquiring information technology equipment to be used in the short-term during the COVID-19 lockdown. These costs were categorised as exceptional in 2H 2020 and 1H 2021 due to the non-recurring nature of the event giving rise to them. It is not expected that similar costs would be treated as exceptional in the future, due to the normalisation of operating conditions.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal in 2021 related to the sale of the Group's surplus property near Kingswinford. The profit on disposal has been categorised as exceptional due to the materiality of the amount recorded.

Tax on exceptional items

2022

In the current year, the impairment charge relating to property, plant and equipment is not tax deductible but gives rise to a deferred tax credit in the current period.

The costs associated with the closure of sites are tax deductible in the current period.

The profit on disposal of property, plant and equipment gave rise to a nil chargeable gain in the current period due to the effect of indexation allowance.

2021

In 2021, the reversal of impairment charges relating to property, plant and equipment and right-of-use assets was not tax deductible but gave rise to a deferred tax charge in the prior year.

The costs associated with the closure of sites, COVID-19 administrative expenses and redundancy costs were tax deductible in the prior year.

The profit on disposal of property, plant and equipment gives rise to a chargeable gain which was taxable in the prior year.

6. TAXATION

The Group recorded a taxation charge of £17.9 million (2021: £33.1 million) on a pre-tax profit of £104.8 million (2021: pre-tax loss of £64.9 million), resulting in an effective tax rate ("ETR") of 17.1% (2020: 51.0%).

	Year ended 31 December 2022 £'000	**Percentage**	Year ended 31 December 2021 £'000	Percentage
Profit before tax	**104,764**	**100%**	64,942	100%
Profit before tax multiplied by the rate of corporation tax in the UK	**19,905**	**19.00%**	12,339	19.00%
Effects of:				
Expenses not deductible	**771**	**0.74%**	510	0.79%
Accounting profit on disposal of property, plant and equipment	-	-	(333)	(0.51%)
Permanent benefit of super-deduction on capital expenditure	**(1,741)**	**(1.66%)**	(829)	(1.28%)
Changes in estimates relating to prior periods	**(1,658)**	**(1.58%)**	66	0.10%
Adjusted ETR	**17,277**	**16.50%**	11,753	18.10%
Exceptional accounting profit on disposal of property, plant and equipment	**(1,488)**	**(1.42%)**	(252)	(0.39%)
Rate change on deferred tax provision	**2,095**	**2.00%**	21,628	33.30%
Total taxation expense from continuing operations	**17,884**	**17.08%**	33,129	51.01%

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

As part of the measures announced in the 2022 Autumn Statement, the Chancellor of the Exchequer reinstated the previously cancelled increase in the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023. The impact of this rate change was recognised in the previous year's financial statements and gave rise to an increase in the Group's net deferred tax liabilities of £21.6 million.

In the current period, the permanent benefit of the temporary enhancement to tax relief on capital expenditure on plant and machinery, known as the "super-deduction" was £1.7 million. This benefit is offset by an increase in the associated deferred tax liability of £1.4 million being recognised at 25%, being the future tax rate at which it is expected to unwind.

The £2.1 million rate change on deferred tax provision is a result of recognising deferred tax assets and liabilities at the future tax rate of 25% in respect of items that are taxable or tax-deductible in the current period. £1.4 million of this balance relates to capital expenditure that has attracted the super-deduction as mentioned above.

In the current period, no capital gain arose in relation to the £7.0 million profit on disposal of property, plant and equipment, resulting in a reduction in the effective tax rate as shown in the table above.

The main reason for the income tax charge of £1.3 million arising on changes in estimates relating to prior periods is due to a lower level of capital expenditure qualifying for the super-deduction than originally estimated. Tax relief on the capital expenditure will instead accrue over future periods, thus giving rise to a £1.6 million prior year deferred tax credit. The remaining £1.4 million of the deferred tax credit relates to the correction of deferred tax overprovided in the prior year in relation to tangible fixed assets.

The Group expects its effective tax rate in the future to be affected by the outcome of any future tax audits as well as the impact of changes in tax law.

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:

	Year ended 31 December 2022 (000s)	Year ended 31 December 2021 (000s)
Basic weighted average number of Ordinary Shares	**402,746**	409,118
Effect of share incentive awards and options	**2,010**	1,494
Diluted weighted average number of Ordinary Shares	**404,756**	410,612

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

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the adjusted effective tax rate. A reconciliation of the statutory profit to that used in the adjusted earnings per share calculations is as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Profit for the period attributable to the parent shareholders	**86,908**	31,813
Less back exceptional items (Note 5)	**(6,278)**	(5,230)
(Less)/add back tax (credit)/charge on exceptional items	**(453)**	695
Add fair value adjustments	**12,126**	10,132
Less tax credit on fair value adjustments	**(2,000)**	(1,834)
Less net non-cash interest	**(1,376)**	(606)
Add back tax expense on non-cash interest	**227**	110
Add back impact of deferred taxation rate change	**2,095**	21,628
Adjusted profit for the period attributable to the parent shareholders	**91,249**	56,708

	Year ended 31 December 2022 pence	Year ended 31 December 2021 pence
Basic EPS on profit for the year	**21.6**	7.8
Diluted EPS on profit for the year	**21.5**	7.7
Adjusted basic EPS on profit for the year	**22.7**	13.9
Adjusted diluted EPS on profit for the year	**22.5**	13.8

8. BORROWINGS

	31 December 2022	31 December 2021
	£'000	£'000
Current		
Private Placement	436	333
	436	333
Non-current		
Private Placement	99,769	99,738
	99,769	99,738
Total borrowings	**100,205**	100,071

During the final quarter of 2022, the group concluded a 12-month extension to the £125 million RCF, extending maturity to November 2026 on terms aligning with the original refinancing in November 2021. Fees of £0.3 million related to this extension were capitalised.

The Group refinanced its debt facilities in the final quarter of 2021 repaying the existing Revolving Credit Facility ("RCF") in November 2021 and expensed the remaining capitalised arrangement fees of £0.7 million. This expense is presented within finance costs in the consolidated income statement.

These facilities were replaced with the issuance of £100 million of Private Placement notes from Pricoa Private Capital, with maturities of between 7 and 12 years and an average total cost of funds of 2.19% (range 2.04%-2.27%). An additional uncommitted shelf facility of up to $88.1 million (or equivalent in available currencies) was agreed. The facility contains debt covenant requirements of leverage (net debt to adjusted EBITDA1) and interest cover (adjusted EBITDA1 to net finance charges) of no more than three times and at least four times, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

In November 2021 a £125 million RCF facility was provided by a syndicate of five banks for an initial four year period, with a one year extension option. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage the Group will pay interest under the RCF initially at a margin of 160bps. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency.

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.

9. PROVISIONS

	31 December 2022	31 December 2021
	£'000	£'000
Restoration (i)	**4,550**	4,749
Dilapidations (ii)	**3,910**	4,363
Restructuring (iii)	**-**	100
Other (iv)	**452**	889
	8,912	10,101
Current	**1,613**	1,869
Non-current	**7,299**	8,232
	8,912	10,101

(i) The restoration provision comprises obligations governing site remediation and improvement costs to be incurred in compliance with applicable environmental regulations together with constructive obligations stemming from established practice once the sites have been fully utilised. Provisions are based upon management's best estimate of the ultimate cash outflows. The key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the expected year of retirement. Climate change is specifically considered at the planning stage of developments when restoration provisions are initially estimated. This includes projection of costs associated with future water management requirements and the form of the ultimate expected restoration activity. Other changes to legislation, including in relation to climate change, are factored into the provisions when legislation becomes enacted. Estimates are reviewed and updated annually based on the total estimated available reserves and the expected mineral extraction rates. Whilst an element of the total provision will reverse in the medium-term (one to ten years), the majority of the legal and constructive obligations applicable to mineral-bearing land will unwind over a period exceeding 20 years. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life. Discount rates used are based upon similarly dated UK Government bond rates.

(ii) Provisions for dilapidations arose as contingent liabilities recognised upon the business combination in the period ended 31 December 2015, are recognised on a lease by lease basis and are based on the Group's best estimate of the likely contractual cash outflows, which are estimated to occur over the lease term. Third party valuation experts are used periodically in the determination of the best estimate of the contractual obligation, with expected cash flows discounted at similarly lived UK Government bond rates.

(iii) The restructuring provision comprises obligations arising as a result of the site closures and associated redundancy costs announced during the year ended 31 December 2020 following the completion of the Group's review of operations. The remaining cost is expected to be incurred within one year of the current year balance sheet date.

(iv) Other provisions include provisions for legal and warranty claim costs, which are expected to be incurred within one year of the balance sheet date.

10. IMPAIRMENT

2022

In the year, in light of the anticipated macroeconomic downturn and the resulting projected decrease in activity levels across the UK construction industry, Management identified possible indicators of impairment and subsequently generated an estimate of the recoverable amounts based on value in use for the Group's cash-generating units (CGUs).

Based on Management's projections, no reasonably possible change in key assumptions within the value in use ("VIU") recoverable amount calculation contained within the impairment calculation could cause the carrying value of tangible assets to exceed its recoverable amount.

2021

The Group's announcements in April 2021 and November 2021 regarding the capital expenditure projects at the Atlas and Nostell sites, respectively, represent significant changes with a favourable effect on the assets held at these sites, which were previously impaired. The site redevelopments at Atlas and Nostell increased the estimated service potential from the use of certain assets. The Group had estimated the recoverable amounts relating to these assets and recognised an exceptional impairment reversal of £5.6 million in the year ended 31 December 2021. This reversal arose within the Clay segment.

Additionally, the Group's decision to retain the leased Northwich administrative facility within the Concrete segment triggered an impairment reversal of £0.2 million to the related right-of-use asset.

Goodwill

Impairment testing was performed as at 31 December 2022 on the Group's goodwill balance of £3.9 million, primarily relating to the acquisition of the Longley CGU in July 2019. Based upon management's detailed testing of the recoverable value of the CGUs to which goodwill is allocated, no impairment was indicated.

For the Longley CGU, the key assumptions used within the testing of goodwill included a pre-tax discount rate of 10.5%, together with a long-term growth rate of 2%. The CGU-specific cash flows for the detailed five-year time period used by management contain a revenue compound growth rate of 4.6%.

Based on management's projections, no reasonably possible change in key assumptions within the value in use ("VIU") recoverable amount calculation contained within the impairment calculation could cause the carrying value of goodwill to exceed its recoverable amount.

11. NOTES TO THE GROUP CASHFLOW STATEMENT

Cash flows from operating activities	**Year ended 31 December 2022 £'000**	Year ended 31 December 2021 £'000
Profit before taxation	**104,764**	64,942
Adjustments for:		
Depreciation	**31,579**	31,409
Impairment of property plant and equipment	**554**	(5,623)
Impairment of right-of-use assets	**-**	(174)
Amortisation of intangible assets	**6,939**	6,940
Net finance costs	**2,663**	4,992
Gain on disposal of property, plant and equipment	**(6,541)**	(3,660)
Research and development expenditure credit	**(1,560)**	(1,673)
Share based payments	**2,547**	890
Post-employment benefits	**(973)**	(789)
Other	**(172)**	(87)
	139,800	97,167
Increase in inventory	**(21,255)**	(9,435)
Increase in debtors	**(930)**	(2,617)
Increase in creditors	**20,650**	18,504
Decrease in provisions	**(500)**	(3,122)
Cash generated from operations	**137,765**	100,497

12. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the year ended 31 December 2022, the opening Scheme surplus of £57.8 million decreased to a closing surplus of £15.2 million. Analysis of movements during the year ended 31 December 2022:

	£'000
Scheme surplus at 31 December 2021	57,754
Charge within operating profit	(777)
Interest income	1,048
Remeasurement due to:	
- Change in financial assumptions	211,786
- Change in demographic assumptions	(1,701)
- Experience gains	(18,844)
- Return on plan assets	(235,822)
Company contributions	1,750
Scheme surplus at 31 December 2022	15,194

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Group's continuing strategy of de-risking its pensions exposure. This transaction, together with the partial buy-in transaction in 2020 insures all Group's defined benefit liabilities. As a result, the insured asset and the corresponding liabilities of the Scheme are assumed to be fully matched without exposure to interest rate, inflation risk or longevity risk. However,

there is a residual risk that the insurance premium may be increased following a data cleanse to reflect a more accurate position. If the surplus Scheme assets are insufficient to meet any additional premium, then the company may need to pay an additional contribution into the Scheme.

The cover for current deferred pensioners at the date of the transaction attracted a total buy-in premium of £175.6 million. The initial premium payment of £81.3 million was settled on 28 December 2022 by the transfer of certain Scheme-invested assets. The remaining premiums will be settled in three instalments, with the final instalment expected to be paid by 20 December 2024. The deferred premia of £94.3 million with a present value of £91.7 million have been recognised as negative assets against the Bespoke cash flow-driven investment.

The difference between the buy-in premium and the IAS 19 liability for these members has been taken through the consolidated statement of other comprehensive income in the year ended 31 December 2022 as an asset loss of £23.4 million.

The increased levels of short-term inflation during the year leading to significant expected pension increase 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 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 31 December 2022:

	31 December 2022 Per annum	**31 December 2021 Per annum**
Discount rate	4.80%	1.80%
RPI inflation	3.20%	3.40%
CPI inflation	2.60%	2.70%
Rate of increase in pensions in payment	3.75%	3.75%
Commutation factors	18.60	17.31
Mortality assumptions: life expectancy from age 65		
For a male currently aged 65	21.9 years	21.8 years
For a female currently aged 65	24.5 years	24.5 years
For a male currently aged 40	23.6 years	23.6 years
For a female currently aged 40	26.4 years	26.3 years

Based on an existing funding agreement, a contribution level of £1.75 million per annum has applied from February 2022, increasing to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024. Subsequently, in light of the fact that the pension scheme was in a net surplus position after the full buy-in, the Trustees and the Group have agreed that the Group would suspend paying regular contributions with effect from 1 March 2023.

13. BUSINESS COMBINATION

On 29 July 2022, the Group acquired 75% of the share capital of Generix Facades Limited. The acquired entity and its fully owned subsidiary Generix Facades International Limited specialise in ventilated rainscreen facade systems. The acquisition of the Generix business is complementary to the Group's Futures operations and supports the further growth of the Futures business.

Cash consideration of £1.0 million, was paid during the year ended 31 December 2022. Deferred consideration of £0.1 million is payable on the first anniversary of completion.

In the acquisition, the Group acquired identifiable assets of £0.2 million and goodwill of £0.9 million.

14. OTHER RESERVES

	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 expense	492	-	-	-	492
Shares purchased - share buy back scheme (Note 12)	-	-	-	(30,000)	(30,000)
Issue of own shares held on exercise of share options	-	-	152	-	152
At 31 December 2022	**418**	**(369,119)**	**(1,589)**	**(30,000)**	**(400,290)**
					-
Balance at 1 January 2021	-	(369,119)	(922)	-	(370,041)
Other comprehensive income	(74)	-	-	-	(74)
Purchase of own shares	-	-	(1,309)	-	(1,309)
Issue of own shares held on exercise of share options	-	-	490	-	490
At 31 December 2021	(74)	(369,119)	(1,741)	-	(370,934)

Cash flow hedging reserve

The cash flow hedging reserve records movements for effective cash flow hedges measured at fair value. The accumulated balance in the cash flow hedging reserve will be reclassified to the cost of the designated hedged item in a future period.

Merger reserve

The merger reserve of £369.1 million arose on the acquisition of Figgs Topco Limited by Ibstock plc in the period ended 31 December 2015 and is the difference between the share capital and share premium of Figgs Topco Limited and the nominal value of the investment and preference shares in Figgs Topco Limited acquired by the Company.

Own shares held

The Group's holding in its own equity instruments is shown as a deduction from shareholders' equity at cost totalling £1.6 million at 31 December 2022 (31 December 2021: £1.7 million). These shares represent shares held in the Employee Benefit Trust to meet the future requirements of the employee share based payment plans. Consideration, if any, received for the sale of such shares is also recognised in equity with any difference between the proceeds from sale and the original cost being taken to the profit and loss reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Treasury share reserve

The Treasury share reserve represents shares acquired by the Group as part of its share buyback programme in 2022.

Commencing 10 May 2022, the Group engaged its brokers to purchase up to £30.0 million of shares on the open market on its behalf. These shares are held by the Group to meet future requirements of employee share based payment plans. At 31 December 2022, the Treasury shares reserve contained 16,791,470 shares.

15. RELATED PARTY TRANSACTIONS

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

16. DIVIDENDS PAID AND PROPOSED

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2022 of 5.5 pence (2021: 5.0 pence) per Ordinary Share, which will distribute an estimated £21.6 million (2021: £20.5 million) of shareholders' funds. Subject to approval at the Annual General Meeting, this will be paid on 12 May 2023, to shareholders on the register at the close of business on 21 April 2023.

17. POST BALANCE SHEET EVENTS

In light of the fact that the Ibstock Pension Scheme was in a net surplus position after the full pension buy-in, the Group and the Trustees of the Ibstock Pension Scheme agreed on 27 February 2023 that the Group would suspend regular contributions into the pension scheme with effect from 1 March 2023 (see Note 12).

Except for this pension contribution agreement and the proposed ordinary dividend (see Note 16), no further subsequent events requiring either disclosure or adjustment to these financial statements have arisen since the balance sheet date.