Ibstock Plc

Ibstock plc

Results for the year ended 31 December 2021

Strong performance for the year; clear growth strategy supported by new medium term financial targets

Ibstock plc ("Ibstock" or the "Group"), a leading UK manufacturer of clay bricks and concrete products, announces its results for the year ended 31 December 2021.

Statutory results

Year ended 31 December	2021	2020	2019	∆ 1Y	∆ 2Y
Revenue	£409m	£316m	£409m	+£93m	-
Profit / (loss) before taxation	£65m	(£24m)	£82m	+£89m	(£17m)
EPS	7.8p	(6.8p)	16.3p	+14.6p	(8.5p)

Adjusted results[1]

Year ended 31 December	2021	2020	2019	∆ 1Y	∆ 2Y
Adjusted EBITDA	£103m	£52m	£122m	+£51m	(£19m)
Adjusted EPS	13.9p	4.0p	18.3p	+9.9p	(4.4p)
Total dividend per share	7.5p	1.6p	3.2p	+5.9p	+4.3p
Adjusted free cashflow	£51m	£26m	£33m	+£25m	+£18m
Net debt	£39m	£69m	£85m	(£30m)	(£46m)

In order to provide a more relevant performance commentary, comparison in this statement has been made to the corresponding 2020 and 2019 financial years, the latter considered to represent a relevant pre-COVID baseline for performance comparisons. Longley Concrete is included in 2021 and 2020 results and partially in 2019 as it was acquired in H2 2019.

All numbers from continuing operations

Operational and financial highlights

- Robust trading and good operational execution supported by continued strong demand across both clay and concrete markets
- Adjusted EBITDA[1] of £103 million (2020: £52 million, 2019: £122 million) was ahead of our expectations, driven by outperformance in Clay division
- Statutory profit before tax of £65 million (2020: loss of £24 million, 2019: £82 million) reflects strong recovery from 2020 and reduced exceptional costs[1] with a net exceptional gain of £5 million (2020: exceptional cost of £36 million)
- Strong recovery of Group adjusted EBITDA[1] margin to 25.2% (2020: 16.5%, 2019: 29.9%) reflecting effective management of industry-wide supply chain challenges and dynamic pricing to address cost inflation
- Balance sheet strength enhanced with excellent free cash flow performance; net debt to adjusted EBITDA[1] of 0.4 times (2020: 1.5 times) below bottom of 0.5 to 1.5 target range; liquidity headroom increased to £186 million (2020: £146 million)
- Recommended final dividend of 5.0p per share, bringing full year dividend to 7.5p per share (2020: 1.6p), reflecting Board's confidence in financial strength and prospects

Strategic highlights

- Further strong strategic progress delivered in the year:
  - Ibstock Futures established to capture opportunities in new, fast growth sectors of construction markets
  - Committed investment of £50 million during 2022 in Atlas, Aldridge and Nostell projects to support medium-term growth objectives
  - Launch of new Environmental, Social & Governance (ESG) strategic framework with ambitious targets underlining our commitment to environmental and social responsibility; targets to reduce carbon emissions by 40 per cent by 2030 and be net zero carbon by 2040
- Clear path for growth, based on a combination of investment within the core business and diversified growth opportunities;
- New medium-term financial targets announced today, including
  - Group revenues to grow to in excess of £600 million by 2026;
  - Revenues outside of the clay division to exceed 40% of the overall Group; and
  - Group adjusted EBITDA[1] margins above 28% over medium-term
- Expect cash available after committed investments and ordinary dividends over next five years of more than £200 million, to support further organic and inorganic growth investments and additional shareholder returns

Strong momentum into 2022

- Trading in the early weeks of 2022 has started well, with a positive demand outlook across end markets
- Commissioning of capital enhancements on track to increase our clay network capacity by 5% by mid-2022
- Dynamic pricing strategy in place against a backdrop of cost inflation
- Energy price risk well covered with around 85% of 2022 energy requirements secured (with over 90% secured for H1)
- A number of organic and inorganic initiatives underway within Ibstock Futures aimed at accelerating the Group's entry into fast growth product/technology niches
- The Board expects to deliver significant further strategic and financial progress in 2022

Joe Hudson, Chief Executive Officer of Ibstock plc, commented:
"Our 2021 results reflect both continued robust demand across our markets and strong operational execution. Despite market-wide challenges arising from cost inflation and supply chain pressure, we have delivered a result ahead of the Board's expectations, and are well positioned for future growth.

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

Today, we also set out a path for growth and value creation over the next five years, combining expansion of our core business with accelerated diversification into new, fast growing areas of the UK construction market. These strategic ambitions are underpinned by clear financial objectives and capital discipline, which are reflected in the new medium term financial targets. We expect to generate significant additional capital, in excess of our current commitments, over the next five years, which will support both further growth investments and additional shareholder returns.

With the built environment accounting for around 40 per cent of carbon emissions globally, our industry has a vital role to play in delivering climate change solutions. With our plans to produce the UK's first net-zero carbon bricks and brick slips well underway, we are supporting our customers in addressing their carbon reduction goals. Having achieved many of the environmental

targets set in 2018 several years earlier than expected, we have now announced our new ESG strategic framework and targets, including our commitment to be a net zero carbon business by 2040."

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

Results presentation

Ibstock is holding a presentation at 10am today at 54 Hatton Garden, London, EC1N 8HN.

Those wishing to attend should contact ibstock@citigatedewerogerson.com to register.

Those unable to attend in person can listen to the presentation live by using the webcast details below.

To register for the webcast, please see: Ibstock 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)330 336 9601 US: +1 646-828-8073
Confirmation code:	8408969

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

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Joe Hudson, CEO	
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About Ibstock Plc

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

The Group's two divisions are:

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

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

Forward-looking statements

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

Chief Executive's Review

Introduction

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

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

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

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

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

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

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

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

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

Financial Performance

The results for the year showed significant progress on 2020, with material year-on-year improvement in all of our key financial metrics. Sales of £409 million were 29% up on 2020 and in line with the pre-COVID performance reported in 2019, as the Group performed well in healthy markets. Industry-wide supply chain challenges were well managed and the impact of inflationary pressures on our cost base was mitigated through a dynamic commercial approach in both divisions. Adjusted EBITDA[1] grew by nearly 100% to £103 million (2020: £52 million, 2019: £122 million), returning adjusted EBITDA[1] margins to over 25%, compared to 16.5% in 2020 and 29.9% in 2019. Statutory earnings per share grew by 14.6 pence to 7.8 pence (2020: loss of 6.8 pence) reflecting the strong earnings momentum of the business.

The balance sheet was further strengthened through an excellent cash flow performance, with net debt reducing by £30 million to £39 million (December 2020: £69 million), representing a net debt to adjusted EBITDA[1] ratio of 0.4 times (2020: 1.5 times). The Group continued to manage capital expenditure and working capital effectively, with finished goods inventories modestly above 2020 year-end levels, and capital expenditure of £25 million (2020: £24 million), including the first tranche of investment in the redevelopment of our Atlas and Aldridge factories.

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Divisional Review

Ibstock Clay

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

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

Divisional financial performance was significantly above 2020, and ahead of our expectations at the start of the year. Divisional revenue was £280 million in the year, 31% higher year on year (2020: £213 million) and around 93% of the revenue reported for 2019. Adjusted EBITDA[1] at £91 million in 2021 was materially higher year on year (2020: £44 million) and within 15% of the £107 million reported for 2019, reflecting the substantial recovery in sales volumes and the benefit of cost reduction actions. Overall adjusted EBITDA[1] margins moved forward year-on-year to above 32% (2020: 20.6%), back towards 2019 margin levels of 35.5%.

Ibstock Concrete

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

On a like-for-like basis[1], revenue in 2021 was 6% above 2019. Activity levels remained resilient across all product categories, with supplies of roofing, walling and flooring products showing strong growth year-on-year.

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

Adjusted EBITDA[1] of £22 million in 2021 was 44% higher than 2020 (2020: £15 million) reflecting improved year-on-year activity levels in all categories.

Adjusted EBITDA[1] margins of 17% were materially ahead of the level achieved in 2020, reflecting volume benefits and a dynamic commercial approach which enabled the division to recover material levels of input cost inflation, particularly during the second half of the year. The adjusted EBITDA[1] margin in 2021 was below the level of 20.2% achieved in 2019, due both to a change in business mix (with Longley introducing a greater proportion of lower margin purchased product sales) and the impacts of supply chain challenges, which reduced levels of operational efficiency during the second half of the 2021 year.

Ibstock Futures

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

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

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

Ibstock Futures has a strong pipeline of further organic and inorganic projects, which are being progressed. These are focused on the development or acquisition of technology solutions for specific applications within high growth construction markets, including potential alternative uses for its existing clay reserves. In line with this strategy, in early 2022, Ibstock Futures completed a small acquisition to establish a strong position within glass reinforced concrete (GRC) panel technology, which is supplied into a wide range of facade applications. GRC is an exciting new technology which offers the traditional strength of concrete but with significant like-for-like material

savings, bringing environmental benefits to the construction process. It falls firmly within the strategic scope of the Ibstock Futures business and we look forward to developing our offering in this area.

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

Strategic Update

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

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

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

Sustain

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

Health and safety

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

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

Operational excellence

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

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

We made good progress in commissioning our capital enhancement projects at our SM2 and Laybrook factories and anticipate commissioning new equipment at our Ellistown factory during the first half of 2022. In our Concrete division we completed key projects at our Thornley, Anstone

and Northwich plants. All of these investments will deliver further operational cost efficiencies, enhanced service to our customers and improved profitability.

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

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

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

- To reduce CO2 by 40 per cent from 2019 levels by 2030;
- To become a net zero carbon business by 2040 (for Scope 1 and 2)

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

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

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

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

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

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

Grow

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

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

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

Investments to drive growth in our existing business

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

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

Investments to diversify our revenue base

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

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

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

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

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

Acquisition by Ibstock Futures of position in GRC panel technology

In January 2022, Ibstock Futures acquired a strong position within glass reinforced concrete (GRC) panel technology, supplied into a wide range of facade applications. The acquired assets provide

Ibstock Futures with an accelerated position in a fast-developing market which is expected to experience strong growth over the medium term, as the construction industry seeks lower carbon, non-combustible forms of cladding for use in both new and existing mid and high rise buildings. The acquired assets will enable the Group to provide customers with a complementary offer to its existing Mechslip and Nexus façade systems.

People

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

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

Environmental, Social and Governance (ESG) Update

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

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

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

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

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

Addressing Climate Change

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

Improving Lives

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

developing their skills annually, and have set a target for at least 10% of our employees to be in "earn and learn" positions by 2030.

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

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

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

- Target to grow Group revenues to in excess of £600 million by 2026
- Medium term profitability targets:
    - Adjusted EBITDA[1] Margins in Clay business of >35%
    - Overall Group margins of at least 28%
- Targeting revenues outside of traditional clay brick to represent >40% of the Group (from c.30% today)
- Committed to retaining our capital discipline with ROCE[1] of 20% into the medium term

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

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

Disciplined allocation of capital

Our business model is inherently cash generative and, over the next five years, based on anticipated future performance and borrowing capacity, and after making sustaining and committed growth investments and paying ordinary dividends, we expect to have over £200 million of cash available which we will deploy to:
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- Make further, incremental investments to grow the core;
- Grow Ibstock Futures through innovation and acquisition; and

- Supplement shareholder returns as part of a disciplined and efficient capital management strategy

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

Outlook for 2022

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

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

Chief Financial Officer's report

Introduction

The Group delivered a strong trading performance in 2021, reflecting both robust market demand and resilient operational performance. The dynamic commercial approach taken in both the clay and concrete divisions was successful in addressing significant cost inflation during the second half of the year. Supply chain impacts, particularly relating to the availability of freight and labour, were well managed, enabling adjusted EBITDA[1] margins to increase materially to around 25.2%, compared to 16.5% in the comparative period (2019: 29.9%).

The Group maintained its intense focus on cost and capital management, delivering an excellent cash flow performance for the year. This was instrumental in strengthening further the Group's balance sheet, with closing net debt[1] of £38.9 million at 31 December 2021 resulting in leverage[1] of 0.4 times (2020: 1.5 times; 2019: 0.7 times).

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

Climate Change & TCFD

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

At the same time, in order to assess the resilience of our business model, as part of our strategic planning process we have modelled the impact of both transition and physical risks of climate change on the financial performance and position of the Company. This exercise concluded that, in the time horizon of the strategic plan, these net risks are expected to have a modest impact equal to less than 5% of Group's adjusted EBITDA[1].

The Group is committed to increasing the transparency of reporting around climate impacts and risks, and we have made great progress in the first year on our journey to achieve full compliance with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). For the first time, with the publication of our Annual Report, we will also begin reporting against the Sustainability Accounting Standards Board's (SASB) disclosure criteria.

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.

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

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 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%**
Year ended 31 December 2020				
Total revenue	**213.2**	**103.0**	**-**	**316.2**
Adjusted EBITDA[1]	**44.0**	**15.1**	**(6.9)**	**52.1**
Margin	**20.6%**	**14.6%**		**16.5%**
Year ended 31 December 2019				
Total revenue	**300.5**	**108.8**	**-**	**409.3**
Adjusted EBITDA[1]	**106.7**	**21.9**	**(6.4)**	**122.3**
Margin	**35.5%**	**20.2%**		**29.9%**

[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 year ended 31 December 2021 totalled £408.7 million (2020: £316.2 million; 2019: £409.3 million).

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

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

In our Concrete division, revenue increased by 25% compared to 2020, with significant volume increases in all product categories, reflecting the steady and sustained recovery in residential and infrastructure markets. The division employed a dynamic pricing approach throughout the 2021 year to address the impact of significant cost inflation. The current year period included revenues of around £22.3 million from the Longley Concrete business (2020: £17.0 million; 2019: £8.3 million) which was acquired during the second half of 2019. On a reported basis, concrete

revenues were 18% above 2019 and, on a like-for-like basis[1], revenues were 6% higher. This underlying improvement versus 2019 was driven principally by selling price increases, with like-for-like sales volumes broadly in line.

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

Adjusted EBITDA[1]

Management measures the Group's operating performance using adjusted EBITDA[1]. Adjusted EBITDA[1] increased materially year on year to £103.1 million in 2021 (2020: £52.1 million; 2019: £122.3 million). Performance in 2021 compared to 2020 benefited from increased sales volumes in both divisions, dynamic commercial pricing to offset cost inflation, and resilient operational performance in the face of sector-wide supply chain challenges.

Within the Clay division, adjusted EBITDA[1] totalled £90.6 million (2020: £44.0 million; 2019: 106.7 million), representing an EBITDA[1] margin of 32.3% (2020: 20.6%; 2019: 35.5%). The adjusted EBITDA[1] increase over 2020 reflected the significant volume increase and the associated benefit of operational gearing, coupled with disciplined cost management. Performance in 2021 benefited from a small property gain which largely offset the divisional impact of voluntarily repaying to the government around £2 million of furlough monies initially received in 2020.

Adjusted EBITDA[1] in our Concrete division increased to £21.7 million (2020: £15.1 million; 2019: £21.9 million), as the division continued to benefit from its exposure to a broad range of residential and infrastructure markets. Adjusted EBITDA[1] margins of 16.9% were materially ahead of 2020 margins, but below 2019 margins of 20.2% on a reported basis, reflecting the acquisition of Longley in H2 2019, which includes a higher proportion of purchased products within its revenue mix. On a like-for-like basis[1] (i.e. excluding the impact of Longley), EBITDA margins[1] of 19.3% were marginally lower than 2019 levels of 21.1%, with supply chain issues having a modest impact on operational efficiency during the second half of the 2021 year.

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

Exceptional items[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 £5.2 million (2020: charge of £35.7 million; 2019 charge of £3.2 million), comprising:

1. Exceptional net cash cost of £0.6 million which was substantially cash settled in the period:

    a) £2.0 million of exceptional cash profits arising from disposals of land during the 2021 year;

    b) £2.3 million of costs associated with the Group's closure of sites;

    c) £0.3 million of other one-off operating costs;

2. An exceptional non-cash credit of £5.8 million arising from the reversal of the previously recognised impairment of our Atlas and Nostell sites which, as announced during the 2021 year, are now being re-developed.

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

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

Profit before taxation
Group statutory profit before taxation was £64.9 million (2020: loss of £23.9 million; 2019: £82.0 million), reflecting stronger trading and substantially lower exceptional costs, with the current year result including an exceptional credit[1] of £5.2 million (2020: charge of £35.7 million; 2019 charge of £3.2 million).

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

The adjusted ETR[1] (excluding the impact of the deferred tax rate change) for the full year was 18.1% (2020: 19.7%). The reduction in adjusted tax rate from the prior year was due primarily to the permanent 30% benefit of the tax super deduction (also announced in the 2021 budget), which provides relief at the current UK headline rate for qualifying capital expenditure.

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

Group adjusted basic EPS[1] of 13.9 pence per share increased significantly from the 4.0 pence reported last year, reflecting the increased adjusted EBITDA[1] achieved in the year and a modest reduction in the 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

	2021 pence	**2020** pence
Statutory basic EPS – Continuing operations	**7.8**	**(6.8)**
Adjusted basic EPS[1] – Continuing operations	**13.9**	**4.0**

Cash flow and net debt[1]
Adjusted free cash flow[1] increased by £24.9 million in the year to £51.0 million (2020: £26.1 million; 2019: £33.2 million). The increase in adjusted EBITDA[1] compared to 2020 was partly offset by a more modest working capital improvement. The adjusted working capital[1] improvement in 2021 was achieved in spite of increased trading volumes compared to the prior year, with the cash conversion cycle continuing to benefit from the Group's strong focus on working capital management.

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

Whilst Adjusted Operating Cash Flows[1] in 2021 increased materially from prior years, the Cash conversion[1] percentage reduced to 74% (from 96% in 2020; 2019: 59%), reflecting the very substantial reduction in working capital achieved in the comparative period as clay finished goods inventories reduced sharply during the 2020 year.

Table 2: Cash flow (non-statutory)

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

[1] Alternative Performance Measures are described in Note 3 to the consolidated financial statements.
[2] Other includes operating lease payments in all years and emission allowances purchases in 2021

The table above excludes cash flows relating to exceptional items[1] in both years.

The net favourable change in working capital[1] of £5.4 million during 2021 (2020: favourable change of £17.3 million; 2019: adverse change of £24.3 million) reflected a modest increase in inventories, predominantly within the concrete division, more than offset by an overall increase in creditors.

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

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

Net debt[1] (borrowings less cash) of £38.9 million at 31 December 2021, compared to £69.2 million at the prior year end and £53.5 million at 30 June 2021, reflected the continued benefit of strong operating cash flows throughout the 2021 year.

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

Group's credit sources at attractive rates, whilst simultaneously achieving a significant extension of our debt maturity profile.

Return on capital employed[1]

Return on capital employed[1] (ROCE) in 2021 recovered to around 16% (2020: 3.7%; 2019: 19.3%). The substantial improvement compared to the prior year reflected both a significant increase in profitability, as well as a modest reduction in the capital base, as both working and fixed capital were well managed.

Capital allocation

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

Our capital allocation framework is set out below:

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

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

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

Dividend

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

Pensions

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

The net increase in the balance sheet surplus over the period primarily reflects lower scheme liabilities arising from changes in market conditions, as detailed in Note 12).

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

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

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

Subsequent events
On 21 January 2022, the Group acquired certain assets of Telling Architectural Limited. See Note 15 for further information.

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

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

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

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

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

Statement of directors' responsibilities in relation to the financial statements

The 2021 Annual Report and Accounts which will be issued in March 2022, 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 8 March 2022, 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 8 March 2022 and is signed on its behalf by:

Joe Hudson	Chris McLeish
Chief Executive Officer	Chief Financial Officer
8 March 2022	8 March 2022

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
Revenue	4	408,656	316,172
Cost of sales before exceptional items		(267,662)	(235,667)
Exceptional income from/(cost of) sales	5	3,495	(32,062)
Cost of sales		(264,167)	(267,729)
Gross profit		**144,489**	**48,443**
Distribution costs		(38,829)	(31,427)
Administrative expenses before exceptional items		(41,511)	(35,296)
Exceptional administrative items	5	(287)	(6,003)
Administrative expenses		(41,798)	(41,299)
Profit on disposal of property, plant and equipment before exceptional items		1,638	113
Exceptional profit on disposal of property, plant and equipment	5	2,022	2,808
Total profit on disposal of property, plant and equipment		3,660	2,921
Other income		2,524	2,118
Other expenses		(112)	(368)
Operating profit/(loss)		**69,934**	**(19,612)**
Finance costs before exceptional items		(5,831)	(5,691)
Exceptional finance costs	5	-	(414)
Finance costs		(5,831)	(6,105)
Finance income		839	1,777
Net finance cost		(4,992)	(4,328)
Profit/(loss) before taxation		**64,942**	**(23,940)**
Taxation	6	(33,129)	(4,081)
Profit/(loss) for the financial year		**31,813**	**(28,021)**
Profit/(loss) attributable to:			
Owners of the parent		**31,813**	**(28,021)**

	Notes	pence per share	pence per share
Earnings/(loss) per share			
Basic - continuing operations	7	7.8	(6.8)
Diluted - continuing operations	7	7.7	(6.8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
Profit/(loss) for the financial year		31,813	(28,021)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Change in fair value of cash flow hedges[1]		(74)	-
Related tax movements[1]		14	-
Remeasurement of post employment benefit assets and obligations[1]		12,862	(45,263)
Related tax movements[1]		(2,525)	7,927
		10,277	(37,336)
Other comprehensive income/(expense) for the year net of tax		**10,277**	**(37,336)**
Total comprehensive income/(expense) for the year, net of tax		**42,090**	**(65,357)**
Total comprehensive income/(expense) attributable to:			
Owners of the parent		42,090	(65,357)

[1] **Impacting retained earnings**

Non-GAAP measure

Reconciliation of adjusted EBITDA to Operating profit/(loss) for the financial year for continuing operations

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
		£'000	£'000
Operating profit/(loss)		69,934	(19,612)
Add back exceptional items impacting operating profit	5	(5,230)	35,257
Add back depreciation and amortisation	4	38,349	36,477
Adjusted EBITDA		103,053	52,122

CONSOLIDATED BALANCE SHEET

	Notes	31 December 2021	31 December 2020
		£'000	£'000
Assets			
Non-current assets			
Intangible assets		94,625	95,163
Property, plant and equipment		375,800	371,395
Right-of-use assets		25,114	26,653
Post-employment benefit asset	12	57,754	43,576
		553,293	536,787
Current assets			
Inventories		72,821	63,386
Current tax recoverable		3,199	-
Trade and other receivables		64,756	58,906
Cash and cash equivalents		61,199	19,552
		201,975	141,844
Assets held for sale		875	1,186
Total assets		756,143	679,817
Current liabilities			
Trade and other payables		(103,132)	(85,423)
Derivative financial instrument		(74)	-
Borrowings	8	(333)	(135)
Lease liabilities		(6,860)	(6,728)
Current tax payable		-	(421)
Provisions	9	(1,869)	(5,303)
		(112,268)	(98,010)
Net current assets		90,582	45,020
Total assets less current liabilities		643,875	581,807
Non-current liabilities			
Borrowings	8	(99,738)	(88,601)
Lease liabilities		(20,324)	(22,348)
Deferred tax liabilities		(92,352)	(64,755)
Provisions	9	(8,232)	(8,232)
		(220,646)	(183,936)
Total liabilities		(332,914)	(281,946)
Net assets		423,229	397,871

Equity

Share capital	4,096	4,096
Share premium	4,458	4,333
Retained earnings	785,609	759,483
Cash flow hedging reserve	(74)	-
Merger reserve	(369,119)	(369,119)
Own shares held	(1,741)	(922)
Total equity	423,229	397,871

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Cash flow hedging reserve	Merger reserve	Own shares held	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	**4,096**	**4,333**	**759,483**	**-**	**(369,119)**	**(922)**	**397,871**
Profit for the year	-	-	31,813	-	-	-	31,813
Other comprehensive income/(expense)	-	-	10,351	(74)	-	-	10,277
Total comprehensive income/(expense) for the year	-	-	42,164	(74)	-	-	42,090
Transactions with owners:							
Share based payments	-	-	890	-	-	-	890
Deferred tax on share based payment	-	-	35	-	-	-	35
Equity dividends paid	-	-	(16,780)	-	-	-	(16,780)
Purchase of own shares	-	-	-	-	-	(1,309)	(1,309)
Issue of share capital on exercise of share options	-	125	-	-	-	-	125
Issue of own shares held on exercise of share options	-	-	(183)	-	-	490	307
At 31 December 2021	**4,096**	**4,458**	**785,609**	**(74)**	**(369,119)**	**(1,741)**	**423,229**

	Share capital	Share premium	Retained earnings	Cash flow hedging reserve	Merger reserve	Own shares held	**Total equity attributable to owners**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	4,093	7,441	822,321	-	(369,119)	(435)	464,301
Loss for the year	-	-	(28,021)	-	-	-	(28,021)
Other comprehensive expense	-	-	(37,336)	-	-	-	(37,336)
Total comprehensive expense for the year	-	-	(65,357)	-	-	-	(65,357)
Transactions with owners:							
Share based payments	-	-	527	-	-	-	527
Current tax on share based payment	-	-	24	-	-	-	24
Deferred tax on share based payment	-	-	(686)	-	-	-	(686)
Transfer from Share premium account	-	(3,108)	3,108	-	-	-	-
Purchase of own shares	-	-	-	-	-	(1,020)	(1,020)

Issue of own shares held on exercise of share options	-	-	(454)	-	-	536	82
Issue of share capital to Employee Benefit Trust	3	-	-	-	-	(3)	-
At 31 December 2020	4,096	4,333	759,483	-	(369,119)	(922)	397,871

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flow from operating activities			
Cash generated from operations	11	100,497	55,215
Interest paid		(2,928)	(4,189)
Other interest paid - lease liabilities		(1,107)	(1,215)
Tax paid		(9,960)	(6,478)
Net cash inflow from operating activities		86,502	43,333
Cash flows from investing activities			
Purchase of property, plant and equipment		(24,960)	(24,072)
Proceeds from sale of property plant and equipment		874	1,165
Proceeds from sale of property plant and equipment - exceptional		2,882	2,808
Purchase of intangible assets		(6,402)	-
Settlement of deferred consideration		(413)	-
Interest received		-	10
Net cash outflow from investing activities		(28,019)	(20,089)
Cash flows from financing activities			
Dividends paid		(16,780)	-
Drawdown of borrowings		170,000	100,000
Repayment of borrowings		(160,000)	(115,000)
Debt issue costs		(1,563)	-
Repayment of lease liabilities		(7,575)	(6,848)
Proceeds from issuance of equity shares		432	141
Purchase of own shares by Employee Benefit Trust		(1,309)	(1,020)
Net cash outflow from financing activities		(16,795)	(22,727)
Net increase in cash and cash equivalents		41,688	517
Cash and cash equivalents at beginning of the year		19,552	19,494
Exchange losses on cash and cash equivalents		(41)	(459)
Cash and cash equivalents at end of the year		61,199	19,552

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

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net increase in cash and cash equivalents	41,688	517
Proceeds from borrowings	(170,000)	(100,000)
Repayment of borrowings	160,000	115,000
Non-cash debt movement	(1,335)	609
Effect of foreign exchange rate changes	(41)	(459)
Movement in net debt	30,312	15,667
Net debt at start of year	(69,184)	(84,851)
Net debt at end of year (Note 3)	**(38,872)**	**(69,184)**

Comprising:		
Cash and cash equivalents	61,199	19,552
Short-term borrowings (Note 8)	(333)	(135)
Long-term borrowings (Note 8)	(99,738)	(88,601)
	(38,872)	(69,184)

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 2021 were authorised for issue in accordance with a resolution of the Directors on 8 March 2022. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish. Ibstock plc is a public company limited by shares, which is incorporated 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

Ibstock prepares its consolidated financial statements on the basis of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS as adopted by the European Union (EU) and in accordance with the provisions of the UK Companies Act 2006 as applicable to companies reporting under international accounting standards. As a result of the UK's withdrawal from the EU, with effect from 1 January 2021, the consolidated financial statements are also prepared in accordance with IFRS as adopted by the UK. IFRS as adopted by the UK does not differ from IFRS as adopted by the EU. IFRS as adopted by the EU and UK differ in certain respects from IFRS as issued by the IASB. The differences have no impact on the group’s consolidated financial statements for the periods presented.

The financial information set out does not constitute the Company's statutory accounts for the year ended 31 December 2021 but is derived from those accounts. Statutory accounts for 2021 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 2021. 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 2021. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. 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 2021, 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 current year commencing 1 January 2021.

Going concern

Given the continued improving trading performance of the Group, positive external market indicators and reduced level of uncertainty looking forward, management does not believe that the going concern basis of preparation represents a significant judgement.

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

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

Group forecasts have been prepared which reflect both actual experienced impact of the pandemic and estimates of the future reflecting macroeconomic and industry-wide projections, as well as matters specific to the Group. Total capacity in the clay network is expected to increase by 5% by mid-2022.

During the final quarter of the 2021 year, the Group completed the refinancing of its March 2023 £215 million Revolving Credit Facility (RCF), replacing the existing facility with the issuance of £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four year tenor, with a one year extension option. At 31 December 2021 the RCF was undrawn.

Covenants under the Group's RCF and private placement notes require leverage of no more than 3 times net debt to adjusted EBITDA[1], 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 2021 covenant requirements were met with significant headroom.

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios which see reduction in the industry demands for its products thereby stress testing the Group's resilience. For each scenario, cash flow and covenant compliance forecasts have been prepared. In the most severe but plausible scenario industry demand for Clay products is projected to be around 30% lower than 2019 in the 2022 year, which is broadly in line with the sales reduction seen in the Clay division in 2020 during the height of the pandemic, recovering to around 5% lower in 2023.

In addition, the Group has prepared a reverse stress test to evaluate the industry demand reduction at which it would be likely to breach the debt covenants, before any further mitigating actions were taken. This test indicates that, at a reduction of 45% in sales volumes in 2022 and 36% in the first half of 2023 versus 2019 levels, the Group would be at risk of breaching its covenants.

In the severe but plausible low case, the Group has sufficient liquidity and headroom against its covenants, with covenant headroom expressed as a percentage of annual adjusted EBITDA[1] being in excess of 38%.

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

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

3. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures ("APMs") are disclosed within the consolidated financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group.

Management uses APMs in its own assessment of the Group's performance and in order to plan the allocation of internal capital and resources. Certain APMs are used in the remuneration of management and Executive Directors. APMs serve as supplementary information for users of the financial statements and it is not intended that they are a substitute for, or superior to, statutory measures.

None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies. Within the notes to the consolidated financial statements, all APMs are identified with a superscript.

Exceptional items

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

Specifically, in the prior period, management further defined its policy criteria for the recognition of exceptional items[1] in relation to the COVID-19 pandemic.

Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA and Adjusted EBITDA margin

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

The Directors regularly use Adjusted EBITDA and Adjusted EBITDA margin as key performance measures in assessing the Group's profitability. The measures are considered useful to users of the financial statements as they 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 used 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 total borrowings at the balance sheet date. This does not include lease liabilities arising upon application of IFRS 16 in order to align with the Group's banking facility covenant definition. Net debt to adjusted EBITDA is the ratio of net debt to adjusted EBITDA. The net debt to adjusted EBITDA ratio definition removes the benefit of IFRS 16 within adjusted EBITDA so as to align the definition with the Group's banking facility covenant definition.

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	**£'000**
Net debt	**(38,872)**	(69,184)
Adjusted EBITDA	**103,053**	52,122
Impact of IFRS 16	**(7,171)**	(6,832)
Adjusted EBITDA prior to IFRS 16	**95,882**	45,290
Ratio of net debt to adjusted EBITDA	**0.4x**	1.5x

Return on capital employed

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

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

The calculation of ROCE is set out below:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	**£'000**
Adjusted EBITDA	**103,053**	52,122
Less depreciation	**(31,409)**	(29,046)

Less amortisation	**(6,940)**	(7,431)
Adjusted earnings before interest and taxation	**64,704**	15,645
Average net debt	**46,169**	85,974
Average equity	**412,761**	394,471
Average pension	**(50,138)**	(52,396)
Average capital employed	**408,792**	428,049
ROCE	**15.8%**	**3.7%**

Average capital employed figures comprise:

	31 December 2021	30 June 2021	31 December 2020	30 June 2020
	£'000	**£'000**	**£'000**	**£'000**
Net debt	38,872	53,466	69,184	102,764
Equity	423,229	402,293	397,871	391,070
Pension	57,754	42,521	43,576	61,216

Like-for-like revenue

The like-for-like revenue measure sets out the Concrete segment performance without the contribution of the Longley Concrete operations, which were acquired in July 2019. When comparing the current year's performance with that of 2019, the Directors have included this APM in order to remove the distortions arising from ownership for a period of fewer than 12 months in a comparative period.

A reconciliation of like-for-like sales and like-for-like adjusted EBITDA margin is set out below:

	Year ended 31 December 2021	Year ended 31 December 2019
	£'000	£'000
Revenue	**128,421**	108,787
Contribution from Longley operations	**(22,289)**	(8,328)
Like for like revenue	**106,132**	100,459

Like-for-like adjusted EBITDA margin

The like-for-like adjusted EBITDA measure, sets out the Concrete segment performance without the contribution of the Longley Concrete operations, which were acquired in July 2019. When comparing the current year's performance with that of 2019, the Directors have included this APM in order to remove the distortions arising from ownership for a period of fewer than 12 months in a comparative period.

A reconciliation of like-for-like adjusted EBITDA margin is set out below:

	Year ended 31 December 2021	Year ended 31 December 2019
	£'000	£'000
Adjusted EBITDA	**21,740**	21,942
Contribution from Longley operations	**(1,272)**	(767)
Like for like adjusted EBITDA	**20,468**	21,175
Concrete segment like for like adjusted EBITDA margin	**19.3%**	21.1%

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 non-deductible exceptional items (defined above) and the changes in taxation rates on deferred taxation. In the prior year, due to the loss before taxation, the Adjusted ETR was based upon an average rate using the two most recent financial periods.

A reconciliation of the adjusted ETR to the statutory rate of taxation in the UK is included in Note 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 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 £2.0 million (2020: removing cash flows of £2.7 million).

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted to exclude cash flows relating to exceptional items of £1.7 million (2020: £9.7 million) and inclusion of cash flows associated with interest income, proceeds from the sale of property, plant and equipment and lease payments reclassified from investing or financing activities of £12.2 million (2020: £4.1million).

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

Year ended 31 December 2020	**Statutory**	Exceptional	Reclassification	**Adjusted**
	£'000	**£'000**	**£'000**	**£'000**
Adjusted EBITDA	16,865	35,257	-	52,122
Change in working capital	19,945	(2,650)	-	17,295
Impairment charges	20,382	(20,382)	-	-
Net interest	(4,189)	414	10	(3,765)
Tax	(6,478)	-	-	(6,478)
Post-employment benefits	1,584	(2,902)	(870)	(2,188)
Other	(3,561)	-	(3,220)	(6,781)
Adjusted operating cash flow	44,548	9,737	(4,080)	50,205
Cash conversion				96%
Total capex	(24,072)	-	-	(24,072)
Adjusted free cash flow	20,476	9,737	(4,080)	26,133

4. SEGMENT REPORTING

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

The key Group performance measure is adjusted EBITDA[1], as detailed below, which is defined in Note 3. The tables, below, present revenue and adjusted EBITDA[1] and profit/(loss) before taxation for the Group's operating segments.

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

	Year ended 31 December 2021			
	Clay	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	**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.

	Year ended 31 December 2020			
	Clay	Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
Total revenue	**213,197**	**102,975**	**-**	**316,172**
Adjusted EBITDA	**43,968**	**15,055**	**(6,901)**	**52,122**
Adjusted EBITDA margin	***20.6%***	***14.6%***		***16.5%***
Exceptional items impacting operating profit (see Note 5)	(29,498)	(2,518)	(3,241)	(35,257)
Depreciation and amortisation pre fair value uplift	(20,056)	(6,454)	(136)	(26,646)
Incremental depreciation and amortisation following fair value uplift	(5,152)	(4,679)	-	(9,831)
Net finance costs	(1,687)	(638)	(2,003)	(4,328)
(Loss)/profit before tax	**(12,425)**	**766**	**(12,281)**	**(23,940)**
Taxation				(4,081)
Loss for the year				**(28,021)**
Consolidated total assets	504,106	132,310	43,401	679,817
Consolidated total liabilities	(127,573)	(54,584)	(99,789)	(281,946)
Non-current assets				
Consolidated total intangible assets	57,652	37,511	-	95,163
Property, plant and equipment	325,859	45,536	-	371,395
Right-of-use assets	15,993	10,279	381	26,653
Total	**399,504**	**93,326**	**381**	**493,211**
Total non-current asset additions	23,610	5,911	-	29,521

Included within the revenue of our Clay operations during the year ended 31 December 2020 were £1.2 million of bill and hold transactions. At 31 December 2020, £0.3 million of inventory relating to these sales remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£0.5 million), plc Board and other plc employment costs (£3.8 million), pension costs (£0.9 million) and legal/administrative expenses

(£3.0 million). These costs have been offset by research and development taxation credits (£1.2 million). During the prior year, no one customer accounted for greater than 10% of Group revenues.

5. EXCEPTIONAL ITEMS

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Exceptional income from/(cost of) sales		
Impairment reversal/(charge) - Property, plant and equipment	**5,623**	(16,263)
Impairment reversal/(charge) - Right-of-use assets	**174**	(1,681)
Impairment charge - working capital	**-**	(2,438)
Total impairment credit/(charge)	**5,797**	(20,382)
Energy contract losses	**-**	(5,160)
Redundancy costs	**-**	(6,073)
Other costs associated with closure of sites	**(2,302)**	(447)
Total exceptional income from/(cost of) sales	**3,495**	(32,062)
Exceptional administrative expenses:		
Pension closure costs - legal and actuarial costs	**-**	(1,902)
GMP equalisation costs	**-**	(1,000)
Redundancy costs	**(100)**	(2,224)
COVID-19 administrative expenses	**(187)**	(818)
Exceptional items relating to discontinued operations	**-**	(59)
Total exceptional administrative expenses	**(287)**	(6,003)
Exceptional profit on disposal of property plant and equipment	**2,022**	2,808
Exceptional items impacting operating profit	**5,230**	**(35,257)**
Exceptional finance costs	**-**	**(414)**
Total exceptional items	**5,230**	**(35,671)**

2021

Included within the current year are the following exceptional items[1]:

Exceptional income from sales

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

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

Exceptional administration expenses

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

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

Exceptional profit on disposal of property, plant and equipment

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

2020

Included within the prior year are the following exceptional items[1]:

Exceptional cost of sales

Impairment charges arising in the prior year relate to the impairment of non-current assets and working capital items. Due to the materiality and non-recurring nature, these costs were categorised as exceptional.

Energy contract losses arose during the prior period as a result of losses on contracts for the purchase of the Group's energy requirements, which due to the COVID-19 lockdown (and consequent sharp reduction in energy usage as the plant network was taken down during 2Q 2020), resulted in contractual energy positions in excess of production needs. These costs were categorised as exceptional due to their anticipated non-recurring nature.

Redundancy costs related to employees engaged in production activities following the Group's announced restructuring activity in response to the deterioration in near-term demand outlook caused by COVID-19. These costs were categorised as exceptional due to their materiality, and the unusual and non-recurring nature of the events giving rise to the costs.

Costs associated with the closure of sites related to other costs incurred as a result of the Group's restructuring decisions during the prior year. These costs included closed site security and decommissioning activities.

Exceptional administration expenses

Pension closure costs which arose in the prior year, comprised legal and actuarial costs associated with the pension data cleansing exercise and subsequent pension buy-in transaction completed as part of the Group's pension de-risking exercise following the closure of the scheme to future accrual from 1 February 2017. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to them.

Guaranteed Minimum Pension ("GMP") equalisation costs arose as a result of the High Court ruling in November 2020 requiring pension schemes to revisit individual transfer payments since May 1990 to identify any additional value due as a result of GMP equalisation. These pension costs were assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional redundancy costs, which arose in the prior period, related to costs of redundancy of employees within the Group's selling, general and administrative ("SG&A") functions following the Group's announced restructuring in June 2020. The costs were treated as exceptional due to their materiality, and the unusual and non-recurring nature of the event giving rise to the costs.

COVID-19 related administrative costs related to costs incurred in acquiring personal protective and health screening equipment associated with the return to work, and the costs of acquiring information technology equipment to be used in the short term during the COVID-19 lockdown. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional items[1] relating to discontinued operations comprised residual costs incurred during the prior year in concluding the disposal of the Group's Glen-Gery operations, which were sold in November 2018.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal in the prior year related to the finalisation of overage payments contained within the sale and purchase agreement associated with the Group's past disposal of its property in Bristol. The profit on disposal was categorised as exceptional due to the materiality of the amounts recorded.

Exceptional finance costs

Exceptional finance costs in the prior year included professional fees associated with the Group's renegotiation of banking covenant requirements and application to join the CCFF, both of which were incurred as a result of the impact of COVID-19 on the Group's financial position and prospects. These costs were categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Tax on exceptional items[1]

2021

In the current period, the reversal of impairment charges relating to property, plant and equipment and right-of-use assets is not tax deductible but gives rise to a deferred tax charge in the current period.

The costs associated with the closure of sites, COVID-19 administrative expenses and redundancy costs are tax deductible in the current period.

The profit on disposal of property, plant and equipment gives rise to a chargeable gain which is taxable in the current period.

2020

In the prior period, the COVID-19 related energy contract losses, redundancy costs, COVID-19 administrative expenses and exceptional finance costs were all tax deductible.

The working capital impairment costs were also tax deductible, primarily in the current period.

The COVID-19 related impairment charges arising on non-current assets, pension closure costs and GMP equalisation costs are not tax deductible but gave rise to a deferred tax credit in the prior period and as such are not tax rate impacting.

Costs associated with the closure of sites are tax deductible either in the current or a future period. A deferred tax credit was recognised for costs that are tax deductible in a future period.

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

Costs associated with the discontinued operations are not tax deductible.

6. TAXATION

The Group recorded a taxation charge of £33.1 million (2020: £4.1 million) on a pre-tax profit of £64.9 million (2020: pre-tax loss of £23.9 million), resulting in an effective tax rate ("ETR") of 51.0% (2020: -17.1%).

	Year ended 31 December 2021 £'000	**Percentage**	Year ended 31 December 2020 £'000	Percentage
Profit/(loss) before tax	**64,942**	**100%**	(23,940)	100%
Profit/(loss) before tax multiplied by the rate of corporation tax in the UK	**12,339**	**19.00%**	(4,549)	19.00%
Effects of:				
Expenses not deductible	**510**	**0.79%**	948	(3.96%)
Accounting profit on disposal of property, plant and equipment	**(333)**	**(0.51%)**	-	-
Permanent benefit of super-deduction on capital expenditure	**(829)**	**(1.28%)**	-	-
Changes in estimates relating to prior periods	**66**	**0.10%**	2	(0.01%)
Adjusted ETR	**11,753**	**18.10%**	(3,599)	15.03%
Exceptional accounting profit on disposal of property, plant and equipment	**(252)**	**(0.39%)**	-	-
Non-tax deductible exceptional costs associated with discontinued operations	**-**	**-**	13	(0.05%)

Rate change on deferred tax provision	**21,628**	**33.30%**	7,667	(32.03%)
Total taxation expense from continuing operations	**33,129**	**51.01%**	4,081	(17.05%)

The taxation charge and ETR reflect measures announced by the Chancellor of the Exchequer in his March 2021 Budget Statement including the increase in the standard rate of corporation tax from 19% to 25% coming into force from 1 April 2023. This rate change has been recognised in full in the current period and gives rise to an increase in the Group's deferred tax liabilities by £21.6 million and an increase in the ETR by 33.3%.

Another key measure announced in the Budget was the introduction of a new temporary enhancement to tax relief on capital expenditure on plant and machinery, known as the "super-deduction". This new measure gives rise to both a permanent and timing cash tax benefit in the year of expenditure at the current tax rate of 19%. This overall benefit is reduced in part due to the associated deferred tax liability being recognised at 25%, being the future tax rate at which it is expected to unwind.

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 2021 (000s)	Year ended 31 December 2020 (000s)
Basic weighted average number of Ordinary Shares	**409,118**	409,333
Effect of share incentive awards and options	**1,494**	1,989
Diluted weighted average number of Ordinary Shares	**410,612**	411,322

The calculation of adjusted earnings per share[1] is a key measurement used by management that is not defined by IFRS. The adjusted earnings per share[1] measures should not be viewed in isolation, but rather treated as supplementary information.

Adjusted earnings per share[1] figures are calculated as the Basic earnings per share adjusted for exceptional items[1], fair value adjustments being the amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the adjusted effective tax rate. A reconciliation of the statutory profit to that used in the adjusted earnings per share[1] calculations is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Profit/(loss) for the period attributable to the parent shareholders	**31,813**	(28,021)
(Less)/add back exceptional items (Note 5)	**(5,230)**	35,671
Add back/(less) tax charge/(credit) on exceptional items	**695**	(6,119)
Add fair value adjustments	**10,132**	9,831
Less tax credit on fair value adjustments	**(1,834)**	(1,693)
Less net non-cash interest	**(606)**	(954)
Add back tax expense on non-cash interest	**110**	164
Add back impact of deferred taxation rate change	**21,628**	7,667
Adjusted profit for the period attributable to the parent shareholders	**56,708**	16,546

	Year ended 31 December 2021 pence	Year ended 31 December 2020 pence
Basic EPS on profit/(loss) for the year	**7.8**	(6.8)
Diluted EPS on profit/(loss) for the year	**7.7**	(6.8)
Adjusted basic EPS on profit for the year	**13.9**	4.0
Adjusted diluted EPS on profit for the year	**13.8**	4.0

8. BORROWINGS

	31 December 2021	31 December 2020
	£'000	£'000
Current		
Private Placement	333	-
Revolving Credit Facility	-	135
	333	135
Non-current		
Private Placement	99,738	-
Revolving Credit Facility	-	88,601
	99,738	88,601
Total borrowings	**100,071**	88,736

The Group refinanced its debt facilities in the final quarter of 2021 repaying the existing Revolving Credit Facility ("RCF") in November 2021 and 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 EBITDA[1]) and interest cover (adjusted EBITDA[1] to net finance charges) of 3x and 4x, respectively, tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

A £125 million RCF facility was provided by a syndicate of five banks for an initial four year period, with a one year extension option. Interest is charged at a margin (depending upon the ratio of net debt to Adjusted EBITDA[1]) of between 160bps and 260bps above SONIA, SOFR or EURIBOR according to the currency of the borrowing. The facility also includes an additional £50 million uncommitted accordion facility. Based on current leverage the Group will pay interest under the RCF initially at a margin of 160bps. This facility contains debt covenant requirements that align with those of the private placement with the same testing frequency.

As at 31 December 2020, the Group held an RCF for £215 million. The RCF, which was due to expire in March 2023, attracted interest at LIBOR plus a margin ranging from 200-350bps depending upon the ratio of net debt to adjusted EBITDA[1] (prior to the impact of IFRS 16). The facility contained debt covenant requirements of leverage (net debt to adjusted EBITDA[1]) and interest cover (adjusted EBITDA[1] to net finance charge) of 3x and 4x, respectively, to be tested semi-annually.

In the prior year, in order to provide appropriate financial flexibility, the Group agreed covenant amendments with its lending banks. Under these amendments, the leverage test as at 30 June 2021 only was amended to no more than 3.75 times net debt to adjusted EBITDA[1]. In the prior year, the Group was confirmed as eligible to access funding under the Covid Corporate Financing Facility ("CCFF"). The Group did not utilise the CCFF.

The carrying value of financial liabilities have been assessed as materially in line with their fair values.

No security is currently provided over the Group's borrowings.

9. PROVISIONS

	31 December 2021	31 December 2020
	£'000	£'000
Restoration (i)	**4,749**	4,575
Dilapidations (ii)	**4,363**	4,913
Restructuring (iii)	**100**	2,406
Other (iv)	**889**	1,641
	10,101	13,535
Current	**1,869**	5,303
Non-current	**8,232**	8,232
	10,101	13,535

(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 twenty+ timeframe. In discounting the related obligations, expected future cash outflows have been determined with due regard to extraction status and anticipated remaining life. Discount rates used are based upon similarly dated UK Government bond rates.

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

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

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

10. IMPAIRMENT

In the prior year, as a result of the COVID-19 pandemic and the resulting significant decrease in activity levels across the UK Construction industry, management identified indicators of potential impairment and subsequently performed detailed impairment testing across the Group's cash-generating units ("CGUs"). This assessment of impairment resulted in the recognition of an exceptional impairment charge of £20,382,000 within cost of sales within the Group consolidated income statement for the year ended 31 December 2020. This impairment of assets valued at historical cost impacted both operating segments of the Group in the prior year as follows:

A detailed test of impairment was not reperformed during the year ended 31 December 2021 as there were no indicators of impairment. In the current year, the Directors have assessed whether there is any indication that an impairment loss recognised in the prior period may no longer exist or may have decreased.

The Group's announcements in April 2021 and November 2021 regarding the capital expenditure projects at the Atlas and Nostell sites, respectively, represent significant changes with a favourable effect on the assets held at these sites, which were previously impaired. The site redevelopments at Atlas and Nostell increase the estimated service potential from the use of certain assets and the Group has estimated the recoverable amounts relating to these assets recognising an exceptional impairment reversal of £5,623,000 in the year ended 31 December 2021. This reversal arises within the Clay segment.

Additionally, the Group's decision to retain the leased Northwich administrative facility within the Concrete segment triggered an impairment reversal of £174,000 to the related right-of-use asset.

Goodwill

The Group's goodwill balance of £3.0 million, relating to the acquisition of the Longley CGU in July 2019, was tested for impairment at 30 November 2021. Based upon management's detailed testing of the recoverable value of the CGUs to which goodwill is allocated, no impairment was indicated. Key assumptions used within the testing of goodwill included a pre-tax discount rate of 9.4%, together with a long-term growth rate of 2%. CGU-specific cash flows for the detailed five-year time period used by management contain a revenue compound growth rate of 4.3%. Based on management's projections, no reasonably possible change in key assumptions within the value in use ("VIU") calculation supporting the impairment calculation could cause the carrying value of goodwill to exceed its recoverable amount.

11. NOTES TO THE GROUP CASHFLOW STATEMENT

Cash flows from operating activities	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Profit/(loss) before taxation	**64,942**	(23,940)
Adjustments for:		
Depreciation	**31,409**	29,046
Impairment of property plant and equipment	**(5,623)**	16,263
Impairment of right-of-use assets	**(174)**	1,681
Impairment of working capital	**-**	2,438
Amortisation of intangible assets	**6,940**	7,431
Net finance costs	**4,992**	4,328
Gain on disposal of property, plant and equipment	**(3,660)**	(2,921)
Research and development expenditure credit	**(1,673)**	(1,167)
Share based payments	**890**	527
Post-employment benefits	**(789)**	1,584
Other	**(87)**	-
	97,167	35,270
(Increase)/decrease in inventory	**(9,435)**	18,503
Increase in debtors	**(2,617)**	(877)
Increase/(decrease) in creditors	**18,504**	(2,537)
(Decrease)/increase in provisions	**(3,122)**	4,856
Cash generated from operations	**100,497**	55,215

During the prior year, Government assistance of £10,482,000 was received in relation to the Coronavirus Job Retention Scheme ("CJRS") and payment of taxes totalling £16,525,000 relating to employment taxes, income taxes and value added tax were deferred. All deferred amounts were fully settled as at 31 December 2020. No Government assistance or payment deferrals arose during the current year although the Group voluntarily returned £1,759,000 (2020: £nil) of furlough funds received during 2020 under the CJRS in respect of colleagues subsequently made redundant.

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 2021, the Scheme surplus of £43,576,000 has increased to a surplus of £57,754,000. Analysis of movements during the year ended 31 December 2021:

	£'000
Scheme surplus at 31 December 2020	43,576
Charge within labour costs and operating profit	(961)
Interest income	527
Remeasurement due to:	
- Change in financial assumptions	36,925
- Change in demographic assumptions	(1,266)
- Experience gains	(16,602)
- Return on plan assets	(6,195)
Company contributions	1,750
Scheme surplus at 31 December 2021	57,754

Under an updated agreement with the Scheme's trustees, a contribution level of £1.75 million per annum continues to apply from February 2022, increasing to £2.0 million from 1 December 2023 and then to £2.25 million from 1 December 2024 until a subsequent valuation and any revised contribution level is agreed. The updated agreement also includes certain provisions to increase contributions to £2.5 million in the event of a material deterioration in the Scheme's financial position.

13. RELATED PARTY TRANSACTIONS

There were no related party transactions nor any related party balances in either the 2021 or 2020 financial years.

14. DIVIDENDS PAID AND PROPOSED

In April 2020, the Directors notified shareholders that the final dividend in relation to 2019, which was announced in March 2020 alongside the Group's 2019 Preliminary results, was cancelled. Subsequently, no final dividend in relation to 2019 was paid by the Group.

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 5.0 pence (2020: 1.6 pence) per Ordinary Share, which will distribute an estimated £20.5 million (2020: £6.6 million) of shareholders' funds. Subject to approval at the Annual General Meeting, this will be paid on 13 May 2022, to shareholders on the register at the close of business on 19 April 2022.

15. POST BALANCE SHEET EVENTS

On 21 January 2022, the Group acquired certain assets of Telling Architectural Limited, a privately-owned company in liquidation based in the West Midlands, an offsite manufacturer designing and producing a range of cladding solutions using glass reinforced concrete ("GRC") technology. These panels cater to the needs of modular construction in the mid-high rise building segment and come in a variety of finishes from plain concrete to brick facing.

Except for this acquisition and the proposed dividend (see Note 14), no further subsequent events requiring further disclosure or adjustment to these financial statements have been identified since the balance sheet date.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IBSTOCK PLC ON THE PRELIMINARY ANNOUNCEMENT OF IBSTOCK PLC

As the independent auditor of Ibstock plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Ibstock plc's preliminary announcement statement of annual results for the period ended 31 December 2021.

The preliminary statement of annual results for the period ended 31 December 2021 includes management commentary, the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, and notes. We are not required to agree to the publication of presentations to analysts.

The directors of Ibstock plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of Ibstock plc is complete and we signed our auditor's report on 8 March 2022. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work:

Presentation of exceptional items

Key audit matter description	The Group has identified £5.2 million of exceptional items in the Group consolidated income statement (2020: £35.7 million). The FRC and ESMA have advised companies against presenting the impacts of Covid-19 as exceptional on the basis that the impacts are macroeconomic and likely to have a wide range of potentially long-term consequences which will be considered to form part of underlying business performance on an ongoing basis. A key principle is that the Group should not split discrete items on an arbitrary basis in an attempt to quantify the portion relating to Covid-19. The preferred treatment by regulators is to explain the impact of Covid-19 through additional narrative in the "front half" rather than exceptional items within the primary statements. Therefore there is a risk that items are inappropriately classified as exceptional in the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the management review controls over the classification of items as exceptional; • assessed the classification and consistency of items management proposed to include as exceptional, assessing whether any items classified as Covid-19 exceptional items are discrete expenses, directly caused by the Covid-19 pandemic and not relating to the ongoing macroeconomic impacts on performance; • evaluated regulatory guidance released by the FRC and ESMA; and • assessed the adequacy of the disclosures to explain the nature of the exceptional items.

Key observations	We concur with management that the classification of items as exceptional is appropriate for the year ended 31 December 2021.

Revenue recognition - rebates

Key audit matter description	The Group has recognised revenue for the year ended 31 December 2021 of £408.7 million (2020: £316.2 million). The Group enters into various agreements whereby it offers customers retrospective rebates according to the volume of transactions with that customer. The rebate agreements are complex in nature, with different types of rebates being offered to each customer, with the nature of those rebates differing across different product ranges. Due to the high level of complexity involved, we have determined that there is a potential for fraud through possible manipulation of this balance. The key audit matter in relation to customer rebates is focussed on the completeness and accuracy of the reduction against revenue in respect of rebates for customers in Ibstock Brick Limited and Supreme Concrete Limited.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls over the revenue recognition process to address the key audit matter; • performed a year-on-year analysis of revenue and rebates to understand any material changes in the rebate provision at a customer level; • selected a sample of customer rebate agreements, inspected the terms and dates, and recalculated selected rebates in accordance with the contract terms, including evaluating the sales data on which the rebate calculations are based; • identified the largest customers in each of Ibstock Brick Limited and Supreme Concrete Limited and requested written confirmation from a sample of the largest customers to confirm that the rebate provided by the Group is the full rebate due to the customer as at 31 December 2021; • assessed the completeness of rebates by evaluating credit notes raised during 2021 and post year-end, assessing whether payments had been made to customers where we had been informed that no rebate agreement was in place and made enquiries of management as to the existence of any other rebate arrangements; and • agreed a sample of rebates to settlement post year-end.
Key observations	We concur with management that the revenue recognition in relation to customer rebates is appropriate for the year ended 31 December 2021.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Ibstock plc we carried out the following procedures:

(a) checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;

(b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;

(c) considered whether the financial information in the preliminary announcement is misstated;

(d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;

(e) where the preliminary announcement includes alternative performance measures (“APMs”), considered whether appropriate prominence is given to statutory financial information and whether:

- the use, relevance and reliability of APMs has been explained;
- the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
- the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
- comparatives have been included, and where the basis of calculation has changed over time this is explained.

(f) read the management commentary, any other narrative disclosures and any final interim period figures and considered whether they are fair, balanced and understandable.

Use of our report

Our liability for this report, and for our full audit report on the financial statements is to the company’s members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
8 March 2022