Interim results
6 August 2020

Ibstock Plc

Interim results for the six-month period ended 30 June 2020

Decisive actions taken in response to significant COVID-19 impact; business strengthened and well positioned for market recovery

Half year to 30 June	Adjusted results[1]			Statutory results		
	H1 2020	H1 2019	Change	H1 2020	H1 2019	Change
Revenue	£131m	£203m	-36%	£131m	£203m	-36%
Adjusted EBITDA[1]	£10m	£59m	-84%			
(Loss)/Profit before tax	£(11)m	£42m		£(52)m	£41m	
EPS	(0.9)p	9.0p		(12.1)p	8.1p	
Net debt	£103m	£62m	+£41m			
Interim dividend	Nil	3.2p		Nil	3.2p	

[1] Alternative Performance Measures are described in Note 3 of the financial statements

Operational Headlines:

- Production activities ceased temporarily from late March, following Government steps to control the COVID-19 pandemic
- New safe working practices and protocols introduced, allowing a phased re-opening of production from May
- Continued commitment to our community agenda throughout lockdown, including donations of PPE to local NHS facilities and fundraising for our charity partner, Shelter
- Clay sales volumes recovered to around 60% of prior year levels in June, from 10% in April, with recovery in the merchant channel outpacing house builder volumes
- Concrete business delivered more resilient performance, underpinned by RMI and infrastructure markets, with volumes at 80% of prior year levels in June from 30% in April
- Group-wide restructuring programme to deliver material reduction in fixed cost base, including closure or mothballing of three clay factories and headcount reductions; to deliver up to £20 million of annual fixed cost savings in 2021, at a cash cost of £10 million

Financial Headlines:

- Revenue decline of 36% reflects impact of COVID-19 pandemic with significant reductions in both Clay Division, down 43%, and Concrete Division, down 15%
- Adjusted EBITDA[1] down 84% reflecting lower sales volumes and operational gearing. In addition, under-recovery of costs associated with the substantial reduction of inventory impacted adjusted EBITDA[1] by £10 million in the first half
- Statutory loss before tax of £52 million (2019: £41 million profit) reflects weaker adjusted performance and non-underlying costs of £41m related to COVID-19 and restructuring
- Group was adjusted free cash flow positive during the second quarter reflecting strong focus on cash management through the pandemic
- Robust balance sheet with closing leverage of 1.6x and RCF liquidity headroom of over £110 million. Covenants amended at December 2020 and June 2021

Current Trading and Outlook

- Majority of manufacturing sites now safely re-opened
- Continued recovery in demand patterns in July: Clay sales volumes at around 80% and Concrete sales volumes at around 85% of prior year levels
- Remains difficult to predict outturn for the year given significant COVID-19 uncertainty
- Fundamentals for our markets remain positive; actions taken to strengthen the business and enhance operational flexibility leave us well positioned for recovery in our core markets

Joe Hudson, Chief Executive Officer of Ibstock plc, commented:

"The COVID-19 pandemic has created unprecedented challenges for our industry and the wider UK economy. In response, we have taken swift and wide-ranging action to safeguard the future of the business, including some difficult decisions about the future shape of our manufacturing network. Throughout this period, the health and safety of our colleagues has been our key priority, and I would like to thank them all for their dedication and support over the last few months.

"We entered the crisis with a strong balance sheet. Decisive management action at the outset of the pandemic to control costs and preserve cash ensured the Group was adjusted free cash flow positive during the second quarter and we remain in a solid financial position. With new safe working procedures in place, the majority of our manufacturing plants have now reopened and we are encouraged by recent market trends.

"The fundamentals for our markets remain positive, with a substantial housing deficit in the UK and Government policy which is supportive of the role the construction sector will play in the UK economic recovery. The action we have taken to strengthen the business and improve liquidity, including measures to reduce costs and restructure our operations, provide further flexibility and position us well both to meet current challenges and benefit from recovery in our core markets."

Results presentation

Ibstock is hosting an audio webcast for investors and analysts at 9am UK time today.

To register for the webcast, please see: https://brrmedia.news/rgr27

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

Conference Call Dial-In Details:	+44 (0)330 336 9411
Confirmation code:	3006778

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

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About Ibstock plc

Ibstock plc is a leading manufacturer of clay bricks and a diversified range of clay and concrete products, from its operations in the United Kingdom. Its principal products are clay bricks, brick components, concrete roof tiles, concrete substitutes for stone masonry, concrete fencing and pre-stressed concrete products.
The Group's two divisions are:

Ibstock Clay: The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 19 manufacturing sites Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 23 active quarries located close to its manufacturing plants. Ibstock Brick commissioned a new soft mud brick manufacturing plant in Leicestershire in 2018 that added approximately 100 million bricks to its brick production capacity per annum. Ibstock Kevington provides masonry and pre-fabricated component building solutions, operating from 5 sites across the UK.

Ibstock Concrete: A leading manufacturer of concrete roofing, walling, flooring and fencing products, along with lintels and general concrete building products, with 15 manufacturing plants in the United Kingdom.

Chief Executive's review

Introduction

The first half of 2020 was shaped by the challenges that COVID-19 posed to the housebuilding and construction industry and the wider UK economy. Whilst the measures to control the pandemic had a major impact on our operations from the point the lockdown was imposed towards the end of the first quarter, we took decisive and wide-ranging action to mitigate the impact on the business. Throughout this period, our number one priority has continued to be the safety and wellbeing of all our colleagues, and I would like to thank them for the hard work and commitment they have demonstrated throughout this difficult period.

We entered 2020 against the backdrop of more subdued market conditions and, as anticipated, sales volumes in the early weeks of the year were modestly below those of the prior year period. From late March, as Government measures to control the COVID-19 pandemic began to take effect and our construction and housebuilding customers closed sites, sales volumes declined sharply.

We completed an orderly shutdown of our production facilities in early April and, in line with Government public health guidance, used the following weeks to develop new working practices and protocols that would allow us to reopen safely when the time was right. These plans allowed us to recommence production at approximately one third of our manufacturing sites in mid-May, in response to customer demand. Keeping demand levels under close review, we have continued a phased re-opening programme over recent weeks and now have the majority of our sites opened and operating safely. With our customers gradually returning to work, we saw a steady increase in demand, initially driven by builders' merchants re-opening their networks, and more recently from housing developers, with sales volumes improving sequentially through May, June and July.

During the second quarter, we took significant action to address the challenges presented by COVID-19. The Group has utilised the Government's Coronavirus Job Retention Scheme, reduced discretionary spend wherever possible and implemented a temporary salary reduction for the Board and executive leadership team. We also took action to further strengthen our liquidity and preserve cash to enhance our financial resilience and flexibility. These measures included close management of working capital and deferral of non-essential capital expenditure and tax payments as allowed by Government schemes. We also took the difficult decision to cancel the final dividend for 2019. As a result of these measures, we limited the increase in net debt during the first half as the normal seasonal working capital increase during the first quarter was offset by working capital improvements during the second quarter. In addition, we have secured agreement from our lending banks for amendments to various covenant tests under our revolving credit facility and confirmed our eligibility for funding under the Covid Corporate Financing Facility, providing additional financial flexibility.

In light of the current demand environment, and to ensure that the business remains well-positioned as it emerges from the current crisis, we also conducted a full review of our operations during the first half. Regrettably, this required us to make some difficult but necessary decisions about the future shape of our manufacturing network and operations, with a consequent impact on a number of our colleagues. This review is expected to lead to the closure or mothballing of three clay factories, changes to operating patterns at other sites and a restructuring of support functions, to deliver a material reduction in the Group's fixed cost base and reinforce the resilience of the business as we look to the future beyond COVID-19. These measures will ensure Ibstock is adapted to the near-term outlook for our industry, while retaining the flexibility to scale-up production in line with demand as it recovers.

The challenges presented by the COVID-19 pandemic have confirmed that our strategic priorities remain the right ones. We continue to make good progress with our initiatives around enhancing the sustainable performance of our business and delivering market-led innovation. The last six months have reinforced the importance of enduring, collaborative relationships with our partners across the supply chain. To this end we have invested in technology and processes to improve our

supply chain management, delivering improved service levels for our customers and reducing cancellation rates. This year will also see us launch a new range of bricks, targeting the specification market and helping us to compete more effectively against certain types of imported bricks.

The latest proposed operational changes, combined with recent investments in our network, including the enhancement projects which are substantially due to complete this year, will ensure the business is fit for the future, with an efficient cost base and more flexible and reliable production capacity.

Business review

Group revenue for the six months to 30 June 2020 reduced by 36% to £131 million (1H 2019: £203 million), with Group adjusted EBITDA[1] down 84% to £10 million (1H 2019: £59 million). Statutory loss before tax for the period totalled £52 million (2019: £41 million profit). Further details of the Group's statutory results are included in the CFO's report.

Clay

Ibstock Brick is the leading clay brick manufacturer in the UK, with an extensive product range of over 400 brick types, and 19 manufacturing sites across the country strategically located near to its extensive clay reserves. The division reported revenue of £86.5 million in 1H 2020, down 43% year-on-year (1H 2019: £150.9 million). Adjusted EBITDA[1] at £7.6 million in 1H 2020 was 85% lower than in the prior year period (1H 2019: £51.2 million).

Sales volumes during the first 10 weeks of the year were, as anticipated, modestly below the comparative period as we entered 2020 against the backdrop of more subdued market conditions. Sales volumes declined sharply from late March, as the COVID-19 national lockdown became effective. Clay brick sales volumes were down by around 90% on the comparative period during April, at the peak of restrictions when our construction and housebuilding customers' sites were closed, but had recovered back to around 40% down by the end of June. We have seen some variability in the speed of demand recovery, with the merchant channel beginning to recover from late April onwards, but with volumes in the house builder channel recovering at a more gradual pace. Pricing has remained broadly stable since the start of the year.

As noted above, following a review of our operations, we expect to make a number of changes in order to reduce our fixed cost base and enhance the resilience of the business. These include the closure of two of our clay brick factories, representing around 5% of our manufacturing capacity. The changes also include the mothballing of our existing Atlas clay brick manufacturing facility in the West Midlands, and previously announced headcount reductions, as well as more flexible working arrangements across the division's operations.

In light of the current market backdrop, we took the decision during the first half to put on hold our proposed £45 million investment to redevelop our existing facility at the Atlas site. However, we retain the optionality for a future development at this site.

Concrete

Ibstock Concrete comprises the Forticrete, Supreme, Anderton and Longley concrete brands, with strong positions in the fencing, roofing, flooring, lintels and certain infrastructure markets.

The division demonstrated its more defensive qualities and delivered a resilient performance in the period through its exposure to RMI and infrastructure markets, with demand for our fencing and rail products continuing during the lockdown period, albeit at a low level. Revenues for the first half declined by 15% to £44.5 million (1H 2019: £52.4 million), or around 28% on a like-for-like basis, excluding the benefit of Longley Concrete. Sales volumes were down c.70% from the comparative period at the peak of lockdown in April but recovered to around 80% of prior year levels by the end of the period as demand for RMI and infrastructure products in fencing and rail recovered strongly during May and June. Demand for our products that are more exposed to new build housing, including flooring, roof tiles and walling stone, recovered more slowly but we have started to see

improvement in volumes of these products in recent weeks as new build housing activity has picked up.

The resilient top line performance and greater flexibility in the employee base ensured the division remained break-even in April and May and delivered a solid recovery in profitability in June. Adjusted EBITDA[1] at £5.5 million in 1H 2020 was 48% lower year-on-year (1H 2019: £10.5 million) primarily reflecting the fall in sales volumes, with pricing remaining stable in the period.

Sustainability

Sustainability continues to be a critical part of our strategy, and we have recently published our latest sustainability report which highlights the strong progress we have made over the last year. Of particular note is a further reduction in carbon intensity, with a 6.5% reduction against our 2015 baseline. The latest proposed operational changes, including the closure of some of our older, more carbon intensive sites will underpin continued progress in this area.

We also remained strongly committed to our community agenda during the period, despite the challenges of the COVID-19 pandemic. A large number of our furloughed employees volunteered in their local communities, and many of our sites donated PPE to local NHS Hospitals and Care Homes across the country. We also continued to raise funds for Shelter, our national charity partner, throughout the lockdown, and we have now exceeded our annual fundraising target for the year.

Current Trading and Outlook

During the COVID-19 crisis, the health and safety of our colleagues has remained our top priority. We have now put in place new safeguards which have allowed us to reopen the majority of our manufacturing plants.

We are encouraged by recent market trends, with July sales volumes at around 80% in clay and around 85% in concrete compared to prior year levels. While trading conditions have continued to improve, significant COVID-19 uncertainty persists and so it remains difficult to predict what the outcome for the year will be.

The fundamentals for our markets remain positive, with a substantial housing deficit in the UK and Government policy which is supportive of the role the construction sector will play in the UK economic recovery. The actions we have taken to strengthen the business and improve liquidity, including measures to reduce costs and restructure our operations, provide further flexibility and position us well both to meet current challenges and benefit from recovery in our core markets.

[1] Alternative Performance Measures are described in Note 3 of the financial statements

Chief Financial Officer's report

Introduction

The Group's performance in the first six months of 2020 reflected unprecedented market conditions during the period as a result of the COVID-19 pandemic. The benefit of a strong balance sheet as we entered the crisis, combined with decisive management actions at the outset of the pandemic to control costs and preserve cash, has ensured the Group remains in a solid financial position. This continued focus, combined with steps to rebase costs across the business during the second half, will ensure the Group is well-positioned to benefit as market conditions improve.

COVID-19 and impact on our results

Trading and operational impact

COVID-19 had a significant impact on the Group's half year performance: we saw a sharp decline in sales volumes from late March as the Government measures to control the COVID-19 pandemic began to take effect and our construction and housebuilding customers closed sites. On 24 March we announced the temporary suspension of all production across our manufacturing facilities.

During April volumes in our Clay division fell by around 90% year on year, whilst exposure to infrastructure and RMI markets meant that volumes in our Concrete division remained relatively more resilient. As the construction and house building sectors began to return to work later in the second quarter, we saw a sequential improvement in trading activity with volumes in the clay and concrete divisions recovered back to around 60% and 80% of prior year levels, respectively, in June.

Actions to reduce cost and preserve cash

The Group took decisive action during the period to address the challenges presented by COVID-19. These measures included: utilising £9 million of funding from the Government's Coronavirus Job Retention Scheme for a significant portion of colleagues during the shutdown period; utilising HMRC's Time to Pay provisions to defer settlement of around £15 million of employment, income and indirect tax payments, of which £10m will be settled during the second half of the year; curtailing non-essential discretionary spend; halting recruitment of all but essential new staff; reprioritising capital commitments; and implementing a temporary salary reduction for the Board and the executive leadership team.

Restructuring

In order to ensure that the business remains well-positioned as it emerges from the current crisis, we are conducting a fundamental review of all operations. This review is expected to lead to a material reduction in the Group's fixed cost base, through selective site closures, changes in operating patterns and changes to the size and structure of support functions. We have entered into consultations with employees across the Group as part of a series of restructuring proposals, with the proposed closure or mothballing of three clay manufacturing facilities, changes in operating procedures at other sites and a restructuring of support functions, with up to 375 positions, representing around 15 per cent of the Group's total workforce, potentially impacted as a result of these actions. Whilst the changes anticipated will ensure our business is adapted to the near-term industry demand outlook, we retain the flexibility to scale production back up, as demand recovers.

The consultation process is ongoing and will complete during the second half. The Group expects the restructuring will generate annualised fixed cost savings of up to £20 million in 2021, with exceptional cash costs to deliver of approximately £10 million to be incurred in 2020 (of which £8 million was recognised in the first half).

Strong Balance Sheet

The Group entered 2020 with a strong balance sheet, and focused on management of both working and fixed capital to optimise cash flows during the period. Despite the significant impact of the

COVID-19 pandemic on trading volumes, the business was adjusted free cash flow positive during the second quarter.

Additionally, in order to provide appropriate financial flexibility, the Group secured agreement from its lending banks for a number of amendments to covenant tests at 31 December 2020 and 30 June 2021 under the Group's existing RCF, which are detailed below, and during the period was confirmed as eligible for the Bank of England’s Covid Corporate Financing Facility ("CCFF"), although it has not accessed funding from this scheme to date.

At 30 June 2020, the Group had net debt[1] of £103 million, with net debt to adjusted EBITDA[1] of 1.6 times, excluding the impact of IFRS16. The Group also had over £110 million of total liquidity available (excluding amounts available under the CCFF).

Group results

Revenue

Group revenue in the six-month period ended 30 June 2020 decreased by 36% to £131.0 million (2019: £203.3 million).

In our Clay division, revenues reduced by 43% compared to the prior year, reflecting a sharp decline in sales volumes from late March as Government measures to tackle the COVID-19 pandemic began to take effect. Trading conditions began to improve from May onwards as the construction and house-building sectors returned to work, with the merchant channel initially recovering more strongly.

Concrete division revenue reduced by 15% compared to the comparative period (or 28% on a like-for-like basis excluding the contribution of Longley Concrete). Whilst revenues were also significantly impacted by COVID-19, the division’s exposure to infrastructure and RMI markets made it relatively more resilient during the period.

Alternative performance measures

This results statement contains multiple alternative performance measures (“APMs”). A description of each APM is included in Note 3 to the financial statements. The Group uses APMs to aid comparability of its performance and position between periods. The APMs represent measures used by management and the Board to monitor performance against budget. Additionally, certain APMs are used by the Group in setting director and management remuneration. The metrics are consistent, except as noted below, with those presented in our 2019 Annual Report & Accounts. In the current period, management has amended definitions of adjusted EBITDA[1] to exclude fair value losses on failed own use energy contracts and of adjusted EPS[1] in order to remove impacts to the effective tax rate as a result of changes to the rate of deferred taxation. In doing so, management has applied the effective tax rate prior to such changes, and excluded fair value losses on failed own use energy contracts.

Adjusted EBITDA

Management measures the Group’s operating performance using adjusted EBITDA[1]. For the continuing operations, adjusted EBITDA[1] decreased by 84% to £9.5 million in the six-month period ended 30 June 2020 (2019: £59.0 million).

Within the clay division, adjusted EBITDA[1] reduced by 85% to £7.6 million. The EBITDA reduction was primarily driven by the significant volume reduction and operational gearing. In addition, there was an under-recovery of costs associated with the substantial reduction of inventory in the period given the lower activity levels, resulting in around £10 million of costs in the first half of the 2020 year that are not expected to repeat in the second half.

Adjusted EBITDA[1] in our Concrete business reduced by 48% to £5.5 million, as the business delivered a relatively more resilient performance in the period. The reduction in EBITDA primarily reflected lower sales volumes. Variable unit cost of sales remained broadly in line with the prior

year. The current year period included £7 million of revenue from the acquired Longley business (2019: £nil). Longley's sales mix is more heavily weighted towards new-build housing, and the business delivered modest levels of profitability in the period.

Unallocated costs increased to £3.6 million (2019 £2.7 million) due to higher employment costs, principally within the innovation area and lower R&D credits reflecting lower qualifying spend in the current year.

Reconciliation of Adjusted EBITDA to Operating profit for the period from continuing operations

	Notes	Unaudited Half year ended 30/06/2020 £m	Unaudited Half year ended 30/06/2019 £m	Audited Year ended 31/12/2019 £m
Operating (loss)/profit		**(49.4)**	**42.1**	**84.0**
Add back fair value of energy contracts	10	6.4	-	-
Add back exceptional items	5	34.7	0.6	2.8
Add depreciation and amortisation		17.8	16.3	35.5
Adjusted EBITDA		**9.5**	**59.0**	**122.3**

Energy contract fair value accounting

The Group has a long standing practice of locking in prices for gas and electricity used in the Group's production activities and achieves this by committing to a certain volume of consumption in future months which creates a contractual commitment and secures a certain price. Historically, because the Group took delivery of the energy, those purchases were accounted when the gas and electricity was consumed, at the contracted price.

Because of the significant reduction in activity levels due to the COVID-19 pandemic and resulting production shutdown the Group has surplus energy contracts, in energy markets which have fallen sharply as a result of the COVID-19 pandemic. This has resulted in exceptional income statement charges in the first half covering the 12 months to December 2020, totalling £6.5 million. Further details are set out in Note 10.

A further charge (and a derivative liability at 30 June 2020) of £6.4 million has been recognised in the income statement, which represents the fair value losses on energy costs which are expected to be used by the Group in the second half of 2020, but where the associated contract did not meet the own use contract scope exemption. This accelerated charge has been excluded in arriving at the Group's alternative performance measure Adjusted EBITDA[1] (Note 3) which is used to report underlying business performance. This £6.4 million (which is in respect of energy which is forecast to be used in the second half) is not expected to be excluded in arriving at the Adjusted EBITDA[1] APM in the full year numbers, as it is expected that the contracted energy will be consumed in the second half of 2020, with the associated actual cost recognised within underlying performance.

Exceptional items

Based on the application of our accounting policy for exceptional items, certain expense items have been excluded from adjusted EBITDA[1] to aid shareholders' understanding of the underlying financial performance.

The amounts classified as exceptional within the continuing operations in the period comprised:

1. Exceptional cash costs of £16.0 million (of which £2.4 million were cash settled in the period):

    a) £6.5 million losses on surplus energy positions, resulting from a sharp, and unanticipated, reduction in energy usage as the plant network was taken down during the second quarter of the year;
    b) £8.1 million of costs associated with the restructuring of the Group's operations, comprising severance and one-off costs to exit contractual commitments; and
    c) £1.0 million of other material one-off operating costs arising directly as a result of COVID-19;
    d) £0.4m of one-off finance costs arising directly as a result of COVID-19; with

2. Non-cash exceptional costs of £19.1 million, relating to the impairment of current and non-current assets in light of the Group's proposal to close or mothball a number of its manufacturing facilities.

Further details are set out in Note 5 of the financial statements.

Finance costs

Net finance costs of £2.5 million were above the level of £1.1 million in the prior year, principally reflecting higher levels of average net debt compared to the prior year and, consequently, a higher effective interest rate under the Group's Revolving Credit Facility (RCF). The current period's charge also included £0.4 million of exceptional costs related to amendments to covenants under the Group's RCF.

Loss before taxation

Group statutory loss before taxation was £52.0 million (2019: profit of £41.0 million). Prior to exceptional items, adjusted loss before taxation[1] was £10.5 million (2019: profit of £41.6 million), reflecting lower adjusted EBITDA[1] and increased interest costs.

Taxation

The Group recorded a taxation credit of £2.4 million (2019: charge of £8.0 million) on Group pre-tax losses of £52.0 million (2019: profit of £41.0 million), resulting in an effective tax rate ("ETR") of 4.7% (2019: 19.6%) compared to the standard rate of UK corporation tax of 19%. As set out in the table below, the lower than expected taxation credit and ETR are primarily a result of the restatement of deferred tax liabilities to the prevailing standard rate of UK corporation tax of 19%, following the withdrawal of the previously announced rate reduction to 17% that was due to come into force from 1 April 2020.

Tax credit/ (charge)

	Unaudited Half year ended 30/06/2020 £m	Unaudited Half year ended 30/06/2019 £m
(Loss)/ profit before taxation	**(52.0)**	**41.0**
Expected tax credit/(charge) at statutory tax rate	9.9	(7.8)
Impact of change in deferred tax rate	(7.7)	-
Other adjustments	0.2	(0.2)
Total tax credit/ (charge) for the period	**2.4**	**(8.0)**

The adjusted tax credit of £0.9 million on adjusted pre-tax losses of £4.7m represents an adjusted ETR of 19.4% (2019: 19.6%).

Earnings per share

Group statutory basic loss per share for continuing operations of 12.1 pence in the six-month period to 30 June 2020 compared to earnings per share of 8.1 pence in the comparative period, principally as a result of the Group's reduced statutory loss after taxation.

Group adjusted basic loss per share[1] for continuing operations of 0.9 pence per share reduced from 9.0 pence per share in the comparative period, the movement principally reflecting the lower level of adjusted profit after tax. In line with prior years, our adjusted EPS[1] metric removes the impact of exceptional items, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts (net of the related taxation charge/credit). 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

	2020	**2019**
	pence	pence
Statutory basic EPS – Continuing operations	**(12.1)**	**8.1**
Adjusted basic EPS – Continuing operations	**(0.9)**	**9.0**

Cash flow and net debt

Cash generated from operations during 2020 is shown in Table 2, below. Adjusted free cash flow[1] decreased to an outflow of £14.8 million in the year, primarily reflecting the reduction in adjusted EBITDA[1].

Tax totalling £2.8 million was paid in the period (2019: £6.8 million). Cash conversion[1] reduced to 2% in the six-month period ended 30 June 2020 (2019: 47%), primarily as a result of significantly lower EBITDA and a modest increase in lease payments. Working capital movements were broadly neutral (2019: outflow of £19.6 million) as the seasonal working capital build experienced in the first quarter was offset by working capital inflows during the second quarter. Across the six months as a whole, inventories reduced by over £10 million as the business destocked during the second quarter, while this was broadly offset by lower trade payables.

Table 2: Cash flow (non-statutory)

	2020 £'m	2019 £'m	Change £'m
Adjusted EBITDA[1]	9.5	59.0	(49.5)
Adjusted change in working capital	(0.6)	(19.6)	19.0
Net interest	(1.2)	(1.2)	-
Tax	(2.8)	(6.8)	4.0
Post-employment benefits	(0.9)	(0.8)	(0.1)
Other[2]	(3.8)	(2.7)	(1.1)
Adjusted operating cash flow	0.2	27.9	(27.7)
Cash conversion[1]	2%	47%	
Total capex	(15.0)	(18.9)	3.9
Adjusted free cash flow[1]	(14.8)	9.0	(23.8)

The above table excludes the cash flow relating to exceptional items in both years.
1 Alternative Performance Measures are described in Note 3 to the consolidated financial statements.
2 Other includes operating lease payments.

Net debt[1] (borrowings less cash) of £102.8 million at 30 June 2020 compared to £84.9 million at the prior year end. The increase principally comprised £14.8m of adjusted free cash outflows, and £2.4 million of exceptional cash outflows.

We entered the year anticipating 2020 capital expenditure of around £40 million, including around £10 million relating to the second year of spend on our enhancement projects and £5 million relating to the new Atlas factory. In light of the COVID-19 pandemic, we have reviewed this level of expenditure. Given their attractive returns profile, we expect to complete the majority of the enhancement projects. However, we are taking steps to significantly reduce other expenditure, and have made a decision not to proceed with the Atlas investment at this time. Consequently, we now expect capital expenditure for the 2020 year to be around £25 million.

The Group has a £215 million revolving credit facility with a group of seven major banks. The five-year facility was entered into in March 2017 and contains interest cover and leverage covenant limits of 4 times and 3 times, respectively. The Group remained within both covenant requirements at 30 June 2020.

In order to provide appropriate financial flexibility, the Group has agreed covenant amendments with its lending banks as follows: as at December 2020, the leverage test is replaced by a liquidity test requiring the Group to have Minimum Liquidity of £60 million; the interest cover test as at December 2020 is amended to no less than 1.25 times; and the leverage test at 30 June 2021 is amended to no more than 3.75 times. Liquidity under this definition totalled £112 million at 30 June 2020.

In addition, the Group has been confirmed as eligible for the CCFF should future access to this funding be necessary.

Capital allocation
As set out in our 2019 Full Year Results Announcement, the Group's approach to capital allocation is underpinned by the fundamental commitment to maintaining a strong balance sheet. Against this backdrop, our capital allocation priorities remain unchanged: firstly, to maintain and enhance our existing assets; secondly, to pay ordinary dividends; thirdly, to invest in major organic growth and M&A; and finally, to return capital to shareholders.

Whilst the significant adverse impacts of the COVID-19 pandemic are expected to lead to a short-term increase in leverage, we maintain our targeted range of 0.5 times to 1.5 times through the cycle.

Dividend
Given the impact of COVID-19 on the Group's financial performance and position, and in light of the inherent uncertainty over short-term demand, during the period the Board took the difficult decision to cancel the final dividend of 6.5 pence per ordinary share (2018: 6.5 pence), saving £24 million.

The Group does not intend to pay an interim dividend for 2020. We recognise the importance of dividends to shareholders, and the Board will keep the payment of dividends under review, seeking to return to dividend payments, subject to the Group's leverage, as economic conditions become clearer.

Pensions
At 30 June 2020, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £61.2 million (31 December 2019: surplus of £88.7 million, 30 June 2019; surplus of £90.6 million). At the period end, the scheme had asset levels of £656.2 million (31 December 2019: £625.9 million, 30 June 2019 £625.0 million) against scheme liabilities of £595.0 million (31 December 2019: £537.3 million, 30 June 2019 £534.4 million).

The reduction in the balance sheet surplus over the period primarily reflects actuarial losses from a change in market conditions underlying the financial assumptions (as detailed in Note 11). This impact was partially offset by higher than expected investment returns.

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
During the current and prior periods, there have been no material related party transactions.

Board Change
On 24 July 2020, the Company announced that it had been mutually agreed that Kate Tinsley, Managing Director of Ibstock Clay, would be leaving the Company and had resigned from the Board of Directors with effect from that date.

Subsequent events
There have been no events subsequent to 30 June 2020 which, in the opinion of management, require adjustment or disclosure.

Going concern
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 have adequate resources to continue in operational existence for at least twelve months from the date of signing these accounts.

In arriving at their conclusion on going concern, 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 and in particular the impact of the COVID-19 pandemic.

Forecast scenarios have been prepared comparing two cases: a) an operating case; and b) a low case to assess how the virus could impact the Group in the period to 31 December 2021. In determining these the Group considered macro-economic and industry wide projections as well as matters specific to the Group.

In addition, the Group has prepared a reverse stress test to evaluate the sales reduction at which the RCF covenants would be breached, before any further mitigating actions were taken.

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.

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

Principal Risks and Uncertainties

The Board assesses and monitors the key risks impacting the business on an ongoing basis and has considered both the consequences of COVID-19 on the Group's business and its effect on the underlying principal risks and uncertainties managed by the business. An explanation of the Group's approach to risk management is set out in Ibstock plc's Annual Report and Accounts 2019 (Annual Report), a copy of which is available on the Group's corporate website, www.Ibstockplc.co.uk

This section should be read in conjunction with the rest of this statement as this provides further information concerning the actions taken in addressing the impacts of the Covid-19 pandemic.

Whilst the Group's principal risks and uncertainties are unchanged from those set out in its Annual Report, COVID-19 has impacted the probability of occurrence and the likely impact of some of these risks. Although the Annual Report identified the COVID-19 outbreak as an emerging risk it was not included in the list of principal risks at that time. Similarly, consideration was given to the inclusion of a specific 'Pandemic or COVID-19 risk' for the purposes of this review but the Board agreed that disclosure of its impact on the existing individual principal risks was more appropriate.

The material changes with mitigations can be found in the table below:

Principal Risk	Mitigation
Economic conditions	
The COVID-19 pandemic caused a rapid reduction in economic activity, and is likely to lead to a material reduction in consumer confidence and a prolonged period of economic contraction. There is a risk that a second outbreak and subsequent measures to control this that are taken by the Government could further damage the economy with the resulting impacts on the Group's business.	The business took immediate steps to reduce cost, conserve cash and enhance liquidity through accessing the Government's Job Retention Scheme, the curtailment of non-essential capital expenditure, the immediate cessation of discretionary costs and securing eligibility to utilise the Bank of England CCFF commercial paper programme. In parallel, the Group announced actions to reduce the on-going fixed cost footprint of the Group through an organisational review and restructuring that will provide flexibility for the business to meet future demand levels in a cost effective way. Ibstock ensured that its fulfilment and customer service capabilities to support and serve customers

	as conditions permit were maintained and actively engaged with industry bodies to ensure the promotion of housebuilding and construction, whilst seeking to promote the differentiating qualities of our business in the core markets in which we compete.
Customer relationships/reputation Decisions by customers to close their operations in response to COVID-19 led to a precipitous fall in sales volumes, whilst the crisis also heightened expectations regarding the responsibilities of companies around their approach to leadership, governance and corporate responsibility to all stakeholders.	 The level of customer interactions at all levels in the organisation increased in intensity during the lockdown period and the businesses' product offering was reviewed and rationalised. A detailed weekly communications plan setting out each interaction with employees, government/industry, customers, suppliers, capital markets and other stakeholders was planned and implemented through the Executive Leadership and Senior Leadership teams. This involved an increased use of social media to promote Ibstock's British heritage and reinforce the differentiating qualities of the business.
Operational disruption The decision to cease all manufacturing activities across the Group's network at the end of March, and the decision to recommence operations, albeit incrementally, from May resulted in a number of complex, interrelated risks including: employee safety and well-being; physical protection and performance of assets; risk of fraud/losses; supply chain impacts; and inventory management.	 The level of governance oversight through weekly PLC Board meetings, Executive Leadership meetings three times a week; and weekly divisional leadership meetings, enabled the company to make decisions quickly and efficiently whilst providing a regular forum to identify and manage a rapidly changing risk landscape. Extensive health and safety measures have been put in place to ensure the safety of staff returning to work in line with government and industry best practice standards and we continue to monitor this guidance as it changes and develops. During the lockdown period we continued to maintain skeleton staff at all our sites in order to ensure their continued safety and security and took the decision to idle a number of kilns in the Clay division to reduce the risk of increased operational cost and additional disruption upon restarting. Close contact and collaboration was and is being maintained with our key suppliers to make sure that we retain access to key inputs as part of the recommencement of operations. Our Communications and HR teams enhanced leadership and company engagement with all our colleagues through the accelerated launch of a new Group intranet. Regular, detailed reporting of inventory levels has been introduced into both divisions so that we can be certain we are able to meet individual customer demand plans.
Financial risk The economic impacts of COVID-19 and the risk of a second wave outbreak with the likely additional impacts on the wider global economy and increased	 *Financial control risks* Changes to approval processes were made so that a higher level of authority was required in order to

liquidity and solvency risks to the business. The adoption of home working, the reduction in Finance and administrative staff (due to furloughing), changes to volumes and patterns of transactional activity and significant changes to ways of working all served to increase the financial control risks within the organisation.	approve payments of a much lower value. Following the decision to shut down the Group's manufacturing footprint we increased the review of all purchases made at an individual site level. Inventory controls including physical stock counts have been maintained by those colleagues who remained on-site during the suspension in operations and the Group's key month end controls have continued to operate despite the reduction in staffing resulting from the furloughing of employees. Those colleagues employed as administrators have remained on the payroll or have returned from furlough to complete key tasks at a factory level and factory control activity responsibilities have been adjusted to allow for the impact of the reduced staffing levels. *Financial performance risks* The Group has prepared several detailed financial scenarios at divisional and Group level, reflecting industry expectations. The business has maintained and increased the frequency, where necessary, of its performance review meetings, with divisional management teams also getting together on a more informal basis every week. Our Finance function have been providing detailed daily cash forecasts, anchored to longer-term financial models, with daily performance analysis and variance commentary. *Financial liquidity and solvency risks* Early engagement with the Group's relationship banks meant that Ibstock could obtain relief from certain banking covenants which has ensured a continuing ability to operate in the case of a downside scenario. Furthermore, the Group has obtained eligibility for the Bank of England's CCFF programme. The businesses' continued focus on the management of working capital and capital expenditure will ensure that the main levers of cash management remain tightly controlled whilst frequent meetings held between the commercial sales directors and credit control teams will continue to ensure the effective, timely conversion of the Group's receivables and their positive impact on the Group's cash position.
Cyber security Changes in employees' working patterns and use of technology, along with the resulting risks to information security have materially increased cyber risks. The continuing prevalence of many colleagues continuing to work from home in some capacity for the foreseeable future will compound the near term challenges	 The rapid response of the Group's IT team allowed for the deployment of laptops to all employees that were suddenly the position of having to work from home. Despite the pace of the change introduced when lockdown commenced in March all equipment deployed was built to be image compliant with Ibstock policies and standards. In addition, the fast track introduction of new industry leading VPN services to handle the extended homeworking user community, the use of new applications such as Teams/Onedrive to enable virtual meetings and collaboration and the disablement of existing vulnerable applications and

	processes ensure the business could and will continue to operate in the 'new normal'.
Climate change The global increase in focus on corporate social responsibility following the pandemic will greatly raise the profile of the Group's approach and success with its sustainability programme. The approach taken by the Group when dealing with all its stakeholders will be placed under increasing scrutiny in the wake of the current crisis and beyond.	The Sustainability Board will revisit its agenda to ensure all existing and emerging issues are covered appropriately so that the Group will be able to continue to meet both its legal obligations and further develop its sustainability roadmap. The Group will continually keep under review the level of resourcing and structure in place to manage sustainability within the business.

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

We confirm that to the best of our knowledge:

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

Joe Hudson	Chris McLeish
Chief Executive Officer	Chief Financial Officer
5 August 2020	5 August 2020

[1] Alternative Performance Measures are described in Note 3 of the financial statements

Condensed consolidated income statement
for the six months ended 30 June 2020

		Unaudited	Unaudited	Audited
		Half year ended	Half year ended	Year ended
		30/06/2020	30/06/2019	31/12/2019
Continuing operations	Notes	£000	£000	£000
Revenue	4	130,982	203,300	409,257
Cost of sales before exceptional items		(114,720)	(122,455)	(250,008)
Exceptional cost of sales	5	(31,683)	-	-
Cost of sales		(146,403)	(122,455)	(250,008)
Gross (loss)/profit		**(15,421)**	**80,845**	**159,249**
Distribution costs		(13,225)	(20,348)	(42,052)
Administrative expenses before exceptional items		(18,849)	(19,146)	(34,633)
Exceptional administrative items	5	(2,976)	(526)	(2,833)
Administrative expenses		(21,825)	(19,672)	(37,466)
Exceptional loss on disposal of property, plant and equipment	5	-	(56)	-
(Loss)/profit on disposal of property, plant and equipment		(29)	4	1,773
Total (loss)/profit on disposal of property, plant and equipment		**(29)**	**(52)**	**1,773**
Other income		1,265	1,669	3,458
Other expenses		(201)	(366)	(939)
Operating (loss)/profit		**(49,436)**	**42,076**	**84,023**
Finance costs before exceptional items		(3,049)	(1,362)	(4,735)
Exceptional finance costs		(392)	-	-
Finance costs		(3,441)	(1,362)	(4,735)
Finance income		892	267	2,703
Net finance cost		**(2,549)**	**(1,095)**	**(2,032)**
(Loss)/profit before taxation		**(51,985)**	**40,981**	**81,991**
Taxation	6	2,419	(8,017)	(15,516)
(Loss)/profit from continuing operations		**(49,566)**	**32,964**	**66,475**
Discontinued operations				
Loss from discontinued operations, net of tax		(104)	-	(383)
(Loss)/profit		**(49,670)**	**32,964**	**66,092**
(Loss)/profit attributable to:				
Owners of the parent		(49,670)	32,964	66,092
(Loss)/profit attributable to:				

	Notes			
Continuing operations		(49,566)	32,964	66,475
Discontinued operations		(104)	-	(383)
		(49,670)	32,964	66,092
	Notes	Pence per share	Pence per share	Pence per share
(Loss)/earnings per share				
Basic - continuing operations	7	(12.1)	8.1	16.3
Basic - discontinued operations	7	-	-	(0.1)
		(12.1)	8.1	16.2
Diluted - continuing operations	7	(12.1)	8.0	16.1
Diluted - discontinued operations	7	-	-	(0.1)
		(12.1)	8.0	16.0

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2020

	Notes	Unaudited Half year ended 30/06/2020 £000	Unaudited Half year ended 30/06/2019 £000	Audited Year ended 31/12/2019 £000
(Loss)/profit for the financial period		(49,670)	32,964	66,092
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Re-measurement of post-employment benefit assets and obligations [1]		(28,271)	7,957	5,005
Related tax movements [1]		4,697	(1,352)	(851)
		(23,574)	6,605	4,154
Other comprehensive (loss)/income for the period, net of tax		**(23,574)**	**6,605**	**4,154**
Total comprehensive (loss)/income for the period, net of tax		**(73,244)**	**39,569**	**70,246**
Total comprehensive (loss)/income attributable to:				
Owners of the parent		(73,244)	39,569	70,246

[1] Impacting retained earnings

Non-GAAP measure

Reconciliation of Adjusted EBITDA to Operating profit for the period from continuing operations

	Notes	Unaudited Half year ended 30/06/2020 £000	Unaudited Half year ended 30/06/2019 £000	Audited Year ended 31/12/2019 £000
Operating (loss)/profit		**(49,436)**	**42,076**	**84,023**
Add back fair value of energy contracts	10	6,413	-	-
Add back exceptional items	5	34,659	582	2,833
Add back depreciation and amortisation		17,877	16,323	35,409
Adjusted EBITDA		**9,513**	**58,981**	**122,265**

Condensed consolidated balance sheet

as at 30 June 2020

		Unaudited	Unaudited	Audited
		30/06/2020	30/06/2019*	31/12/2019
Assets	Notes	**£000**	**£000**	**£000**
Non-current assets				
Intangible assets		98,631	96,385	102,594
Property, plant and equipment		375,049	377,994	386,255
Right of use assets*		27,986	32,978	30,479
Post-employment benefit asset	11	61,216	90,596	88,656
		562,882	597,953	607,984
Current assets				
Inventories		70,280	66,800	84,327
Trade and other receivables		49,038	64,050	58,088
Current tax receivable		1,730	-	-
Cash and cash equivalents		26,949	32,233	19,494
		147,997	163,083	161,909
Assets held for sale		1,186	-	1,186
Total assets		**712,065**	**761,036**	**771,079**
Current liabilities				
Trade and other payables		(67,928)	(83,870)	(88,150)
Borrowings	9	(521)	(505)	(395)
Lease liabilities*		(6,553)	(4,985)	(6,586)
Derivative financial instruments	10	(8,950)	-	-
Current tax payable		-	(7,319)	(6,350)
Provisions*		(8,562)	(46)	(738)
		(92,514)	(96,725)	(102,219)
Net current assets		**56,669**	**66,358**	**60,876**
Total assets less current liabilities		**619,551**	**664,311**	**668,860**
Non-current liabilities				
Borrowings	9	(129,192)	(93,708)	(103,950)
Lease liabilities*		(23,244)	(27,797)	(23,775)
Deferred tax liabilities		(67,629)	(68,315)	(69,655)
Provisions*		(8,416)	(8,606)	(7,179)
		(228,481)	**(198,426)**	**(204,559)**
Total liabilities		**(320,995)**	**(295,151)**	**(306,778)**
Net assets		**391,070**	**465,885**	**464,301**

Equity			
Share capital	4,096	4,091	4,093
Share premium*	4,332	6,888	7,441
Retained earnings*	751,785	825,055	822,321
Merger reserve	(369,119)	(369,119)	(369,119)
Own shares held	(24)	(1,030)	(435)
Total equity	**391,070**	**465,885**	**464,301**

* see Note 2 for details of restated comparative figures.

Condensed consolidated statement of changes in equity (unaudited) for six months ended 30 June 2020

	Share capital	Share premium	Retained earnings	Merger reserve	Own shares held	Total equity attributable to owners
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020	**4,093**	**7,441**	**822,321**	**(369,119)**	**(435)**	**464,301**
Loss for the period	-	-	(49,670)	-	-	**(49,670)**
Other comprehensive loss	-	-	(23,574)	-	-	**(23,574)**
Total comprehensive loss for the period	**-**	**-**	**(73,244)**	**-**	**-**	**(73,244)**
Transactions with owners:						
Share based payments	-	-	363	-	-	**363**
Current tax on share based payments	-	-	13	-	-	**13**
Deferred tax on share based payments	-	-	(363)	-	-	**(363)**
Purchase of own shares	-	-	-	-	(3)	**(3)**
Transfer from Share premium account (see Note 2)	-	(3,109)	3,109	-	-	**-**
Issue of own shares held on exercise of share options	-	-	(414)	-	414	**-**
Issue of share capital	3	-	-	-	-	**3**
Balance at 30 June 2020	**4,096**	**4,332**	**751,785**	**(369,119)**	**(24)**	**391,070**

	Share capital	Share premium	Retained earnings	Merger reserve	Own shares held	Total equity attributable to owners
Balance at 1 January 2019, as previously restated	**4,065**	**917**	**817,578**	**(369,119)**	**(1,683)**	**451,758**
Amendment for IFRS 16 accounting (See Note 2)	-	-	(3,727)	-	-	**(3,727)**
Balance at 1 January 2019, as restated	**4,065**	**917**	**813,851**	**(369,119)**	**(1,683)**	**448,031**
Profit for the period	-	-	32,964	-	-	**32,964**
Other comprehensive income	-	-	6,605	-	-	**6,605**
Total comprehensive income for the period	**-**	**-**	**39,569**	**-**	**-**	**39,569**
Transactions with owners:						
Share based payments	-	-	397	-	-	**397**
Deferred tax on share based payments	-	-	27	-	-	**27**
Purchase of own shares	-	-	-	-	(1,176)	**(1,176)**
Equity dividends paid	-	-	(26,540)	-	-	**(26,540)**
Issue of own shares held on exercise of share options	-	381	(679)	-	1,829	**1,531**
Issue of share capital on exercise of share options	26	5,590	(1,570)	-	-	**4,046**
Balance at 30 June 2019	**4,091**	**6,888**	**825,055**	**(369,119)**	**(1,030)**	**465,885**

Balance at 1 July 2019	**4,091**	**6,888**	**825,055**	**(369,119)**	**(1,030)**	**465,885**
Profit for the period	-	-	33,128	-	-	**33,128**
Other comprehensive loss	-	-	(2,451)	-	-	**(2,451)**
Total comprehensive income for the period	**-**	**-**	**30,677**	**-**	**-**	**30,677**
Transactions with owners:						
Share based payments	-	-	307	-	-	**307**
Current tax on share based payments	-	-	171	-	-	**171**
Deferred tax on share based payments	-	-	481	-	-	**481**
Equity dividends paid	-	-	(33,528)	-	-	**(33,528)**
Issue of own shares held on exercise of share options	-	317	(775)	-	595	**137**
Issue of share capital on exercise of share options	2	236	(67)	-	-	**171**
Balance at 31 December 2019	**4,093**	**7,441**	**822,321**	**(369,119)**	**(435)**	**464,301**

Condensed consolidated cash flow statement

for the six months ended 30 June 2020

	Note	Unaudited Half year ended 30/06/2020 £000	Unaudited Half year ended 30/06/2019 £000	Audited Year ended 31/12/2019 £000
Cash flow from operating activities				
Cash generated from operations	8	5,829	37,890	92,077
Interest paid		(1,249)	(1,259)	(2,605)
Income tax paid		(2,840)	(6,768)	(13,266)
Net cash inflow from operating activities		1,740	29,863	76,206
Cash flows from investing activities				
Purchase of property, plant and equipment		(14,972)	(18,856)	(38,797)
Proceeds from sale of property plant and equipment - exceptional		3	664	-
Proceeds from sale of property plant and equipment		-	4	2,447
Proceeds from sale of intangible assets		-	475	475
Payment for acquisition of subsidiary undertaking, net of cash acquired		-	-	(13,219)
Interest received		10	31	47
Net cash outflow used in investing activities		(14,959)	(17,682)	(49,047)
Cash flows from financing activities				
Dividends paid		-	(26,540)	(60,068)
Proceeds from borrowings		100,000	20,000	70,000
Repayment of borrowings		(75,000)	(10,417)	(50,417)
Lease payments		(4,100)	(3,135)	(8,263)
Proceeds from issuance of equity shares		-	5,072	5,824
Purchase of own shares by Employee Benefit Trust		-	(1,176)	(1,176)
Net cash inflow/(outflow) from financing activities		20,900	(16,196)	(44,100)
Net increase/(decrease) in cash and cash equivalents		7,681	(4,015)	(16,941)
Cash and cash equivalents at beginning of the period		19,494	36,048	36,048
Exchange (losses)/gains on cash and cash equivalents		(226)	200	387
Cash and cash equivalents at end of period		26,949	32,233	19,494

Discontinued operations do not have material cash flows during the current or prior periods.

1. AUTHORISATION OF FINANCIAL STATEMENTS

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

The interim condensed consolidated financial statements of Ibstock plc for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 5 August 2020. All disclosed documents relating to these results are available on the Group's website at www.ibstockplc.co.uk.

Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute the Group's statutory accounts as defined in section 434 of the Companies Act 2006. The comparative figures for the financial period ended 31 December 2019, which have been extracted from the statutory accounts for that period, are not the Company’s statutory accounts for that financial period. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 2 March 2020. Those accounts have been reported on by the Company’s auditor and delivered to the Registrar of Companies. The report of the auditor was (i) not qualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, as adopted by the European Union ("EU").

They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s Annual Report and Accounts as at 31 December 2019 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

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

All accounting policies applied by the Group within the interim condensed consolidated financial statements are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 December 2019, except in respect of taxation which is based on the expected effective tax rate that would be applicable to expected annual earnings.

There are no other standards and amendments have been issued by the IASB since the publication of the Group’s results for the year ended 31 December 2019, which have either not been adopted by the European Union or are not yet effective in the European Union at 30 June 2020 and which management expects would have a material impact on the Group.

During the period, the Group has utilised the available government job retention schemes with an amount received in government support across the Group of £9 million. This has been accounted for as a government grant under IAS 20. As the grant has been intended to cover employee costs, this has been recognised in the profit or loss within cost of sales and administrative expenses, offsetting the related expense.

The Group has also introduced a policy for accounting for fair value movements on derivative contracts, as described in Note 10.

In preparing the interim condensed consolidated financial statements the Group has applied updated critical accounting estimates and judgements in addition to those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019. In addition to the critical judgement related to the selection and classification of exceptional items, and the key source of estimation uncertainty associated with the Group’s defined benefit pension scheme liability, management was required to make critical accounting judgements and estimations related to the estimated impairment of goodwill, intangibles and property, plant and equipment associated with the Longley Concrete acquisition in July 2019.

The recoverable value of these assets were assessed as the greater of fair value less costs to dispose and value-in-use (“VIU”) calculations for the Group’s cash generating units (“CGUs”). The selection of CGUs requires management to apply judgement as to the appropriate aggregation of assets into CGUs.

The subsequent Longley VIU calculation required the use of estimates, in particular in relation to the expected future performance of the CGU (including the speed of recovery of the UK economy from COVID-19 disruption, extent and duration of government support provided and the impact of safety measures introduced to combat the pandemic), the discount rate applied, and the success of restructuring measures implemented by the Group. See note 12 for further detail and related sensitivities to changes in assumptions.

Additionally, management has applied significant judgement within its assessment of the going concern basis of preparation of the interim financial statements. Details of this significant judgement are set out, below.

Current period correction for prior period misclassification

Management have identified a required reclassification related to the information presented within the 2019 Annual Report and Accounts and 2019 Interim results in relation to the share premium account upon exercise of share options. An element of prior year transactions for the exercise of share options was accounted for with excess amounts transferred from retained earnings to the share premium account. This reclassification is amended in the current period condensed consolidated statement of changes in equity increasing the retained earnings reserve by £3,109,000 and reducing the share premium account by the same amount. The reclassification required at 31/12/19 was not material to the financial statements within the 2019 Annual Report and Accounts.

Current period restatement

IFRS 16 was adopted by the Group for the first time in the year ended 31 December 2019 and preliminary numbers were reported in the Group's 30 June 2019 interim results. Between 30 June 2019 and 31 December 2019, the IFRS 16 transition accounting was refined, which has resulted in certain balances at 1 January 2019 and 30 June 2019 being amended. The full impact on balances at 30 June 2019, which are presented within the interim condensed consolidated balance sheet are as follows:

	As previously stated	**Adjustment**	**As currently stated**
	£'000s	£'000s	£'000s
ROU Assets	37,468	(4,490)	32,978
Current Lease Liabilities	(5,646)	661	(4,985)
Non-Current Lease Liabilities	(31,626)	3,829	(27,797)
Provisions	(4,162)	(4,490)	(8,652)
Deferred tax	(69,078)	763	(68,315)
Net assets in respect of above balances	(73,044)	(3,727)	(76,771)

The current presentation reflects the accounting presented within the audited financial statements for the year ended 31 December 2019. In this half year report, for the comparative six months ended 30 June 2019, an adjustment was made to increase opening retained earnings at 1 January by £3,727,000. In the amended presentation, no adjustment is made to opening reserves at 1 January 2019. Segment assets at 30 June 2019 for the Clay and Concrete divisions have been reduced by £1,420,000 and £3,070,000, respectively to reflect the adjustment to ROU assets recognised.

Going concern

The potential impact of COVID-19 on the Group has been considered in the preparation of the interim financial statements, including within the evaluation of critical accounting estimates and judgements, which are set out above. The Directors have reviewed the Group's liquidity and covenant forecasts, which have been updated for the expected impact of COVID-19 on trading performance and stress-tested.

The Group's committed facilities at 30 June 2020 comprise a syndicated Revolving Credit Facility (RCF) of £215 million which matures in March 2022. At 30 June 2020 £130 million was drawn down under the RCF. Existing covenants under the Group's RCF facility require: leverage of no more than 3 times net debt to adjusted EBITDA; and interest cover of no less than 4 times, tested bi-annually at each reporting date with reference to the previous 12 months. At 30 June 2020 both covenant requirements were met with significant headroom.

Additionally, the Group has been confirmed as eligible for the Bank of England's Covid Corporate Financing Facility ("CCFF"). The UK Government has confirmed that the CCFF will operate for an initial period of 12 months from its announcement in March 2020, with a period of notice of facility withdrawal of 6 months. To date, none of the CCFF has been accessed by the Group.

To maintain appropriate financial flexibility, during the period the Group secured agreement from its lending banks for a number of amendments to covenant tests under the RCF as follows:

•The leverage test as at December 2020 will be replaced by a liquidity test requiring the Group to have Minimum Liquidity of £60 million. Liquidity is defined as: (Cash and Equivalents) + (Available Existing RCF Commitments) - (Any Outstanding Drawings under the CCFF).

•The interest cover test as at December 2020 will be amended to no less than 1.25 times.

•The leverage test as at 30 June 2021 will be amended to no more than 3.75 times net debt to adjusted EBITDA.

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.

Updated Group forecasts have been prepared which reflect both actual experienced impact of the pandemic and estimates of the future reflecting macro-economic and industry wide projections, as well as matters specific to the Group.

Cash flow and covenant compliance forecast scenarios have been prepared comparing two cases: a) an operating case; and b) a low case to assess how the virus could impact the Group in the period to 31 December 2021.

In the operating case, industry demand for the Group's products is projected to reduce by around 25% in H2 2020 compared to pre-COVID-19 levels, recovering to around a 15% reduction in 2021. Under this scenario, the steps taken during the first half of the 2020 year to closely manage cost and preserve cash would be maintained.

In the severe but plausible low case, industry demand is projected to reduce by around 50% in H2 2020 compared to pre-COVID-19 levels, recovering to around a 30% reduction in 2021. Under this scenario, the Group would take additional steps to reduce cost and conserve cash. These steps would include more aggressive actions to reduce capital expenditure and working capital and further cuts to discretionary cost.

In both scenarios, the Group has sufficient liquidity and would expect to remain in compliance with the amended RCF covenants at both December 2020 and June 2021.

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 RCF covenants, before any further mitigating actions were taken. This test indicates that, at a reduction of 50% in sales volumes in the second half of 2020 followed by a greater than 35% reduction in sales volumes in the first half of 2021, the Group would be likely to breach its amended covenants for the period ended 30 June 2021. In the event of an anticipated covenant breach, the Group would seek to take further steps to mitigate, including the disposal of valuable land and building assets and additional restructuring steps to further reduce the fixed cost base of the Group. In such circumstances, the Group would also reasonably expect to renegotiate the terms of the RCF, providing amended covenant terms and/or the ability to access the CCFF to provide additional liquidity.

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 interim management report where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. APMs are reported for continuing operations. 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. It is not intended that APMs are a substitute for, or superior to, statutory measures. None of the APMs are outlined within IFRS and they may not be comparable with similarly titled APMs used by other companies.

Exceptional items

The Group presents items as exceptional on the face of the income statement those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the period, so as to facilitate comparison with future year and to assess trends in financial performance. Specifically, in the current period, management has further defined its policy criteria for the recognition of exceptional items in relation to the COVID-19 pandemic.

In order to qualify for exceptional classification, any such items must be discrete, capable of objective segregation from underlying cost, and be not expected to recur in subsequent periods. Such items are included as exceptional where items have either: a) arisen as a direct result of COVID-19; or b) arisen in a period, or through a manner, different to that anticipated. Any items which have been incurred within the normal course of the Group's operations, and in the manner anticipated, throughout the period, even if the efficiency of the related operations has been materially reduced by COVID-19 do not meet the Group's definition of exceptional items and are included within underlying performance.

Details of all exceptional items are disclosed in Note 5.

Adjusted EBITDA

Adjusted EBITDA is the earnings before interest, taxation, depreciation and amortisation adjusted for exceptional items. In the current period, the APM is also adjusted to remove fair valuation losses on failed own use contracts. The Directors regularly use

Adjusted EBITDA as a key performance measure in assessing the Group's profitability. A full reconciliation is included at the foot of the Group's condensed consolidated statement of comprehensive income within the interim condensed consolidated financial statements.

Adjusted (loss)/profit before taxation

Adjusted (loss)/profit before taxation is the (loss)/profit before taxation from continuing operations removing the impact of exceptional items and the fair valuation losses on failed own use contracts. The Directors have presented adjusted (loss)/profit before taxation as they believe the APM represents useful information to the user of the financial accounts in assessing the performance of the Group and when comparing its performance across periods. A reconciliation of adjusted (loss)/profit before taxation is provided at the foot of the exceptional items table in Note 5.

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 effective tax rate). In the current period, in order to remove distortions to the effective tax rate applied resulting from changes to the rate of deferred taxation, management has applied the effective tax rate prior to such changes. In the current period, the APM is also adjusted to remove fair valuation losses on failed own use contracts. The impact of both changes on the comparative figures is immaterial and balances have not been restated. The Directors have presented Adjusted EPS as they believe the APM represents useful information to the user of the financial accounts in assessing the performance of the Group and when comparing its performance across periods. A full reconciliation is provided in Note 7.

Net debt and Net debt to Adjusted EBITDA 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. 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 the net debt APM to provide information as a useful measure for assessing the Group's borrowings' management. A full reconciliation of Net debt and the Net debt to Adjusted EBITDA ratio is included in Note 9.

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted for exceptional items. The Directors use this APM to allow shareholders to understand better elements of the Group's cash flow performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance. The analysis of adjusted operating cash flows is included in Table 2 of the Financial Review.

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 effectiveness converting trading profits into cash during the period. Cash conversion is set out in Table 2 of the Financial Review.

Adjusted free cash flow

Adjusted free cash flows represents Adjusted operating cash flow 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. A reconciliation of Adjusted free cash flow is set out in Table 2 of the Financial Review.

4. SEGMENT REPORTING

The key Group performance measure is Adjusted EBITDA, as detailed below, which is defined in Note 3. The below tables present revenue and Adjusted EBITDA for the Group's operating segments for the six months ended 30 June 2020 and 2019 and the year ended 31 December 2019, respectively.

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.

Six months ended 30 June 2020 (unaudited)

Continuing operations	UK Clay £000	UK Concrete £000	Unallocated & elimination £000	Total **£000**
Total revenue	**86,521**	**44,461**	**-**	**130,982**
Adjusted EBITDA	**7,556**	**5,543**	**(3,586)**	**9,513**
Fair value of energy contracts	(6,413)	-	-	**(6,413)**
Exceptional items	(31,487)	(2,173)	(999)	**(34,659)**
Depreciation and amortisation pre fair value uplift	(9,193)	(3,453)	(68)	**(12,714)**
Incremental depreciation and amortisation following fair value uplift	(2,817)	(2,346)	-	**(5,163)**
Net finance costs	(1,013)	(204)	(1,332)	**(2,549)**
Loss before taxation	**(43,367)**	**(2,633)**	**(5,985)**	**(51,985)**

Six months ended 30 June 2019 (unaudited)

Continuing operations	UK Clay £000	UK Concrete £000	Unallocated & elimination £000	Total **£000**
Total revenue	**150,929**	**52,371**	**-**	**203,300**
Adjusted EBITDA	**51,204**	**10,477**	**(2,700)**	**58,981**
Exceptional items	(68)	(317)	(197)	**(582)**
Depreciation and amortisation pre fair value uplift	(9,640)	(2,345)	(60)	**(12,045)**
Incremental depreciation and amortisation following fair value uplift	(2,576)	(1,702)	-	**(4,278)**
Net finance costs	(557)	(126)	(412)	**(1,095)**
Profit/(loss) before taxation	**38,363**	**5,987**	**(3,369)**	**40,981**

Year ended 31 December 2019

Continuing operations	UK Clay £000	UK Concrete £000	Unallocated & elimination £000	Total **£000**
Total revenue	**300,470**	**108,787**	**-**	**409,257**
Adjusted EBITDA	**106,717**	**21,942**	**(6,394)**	**122,265**
Exceptional items	(881)	(999)	(953)	**(2,833)**
Depreciation and amortisation pre fair value uplift	(20,744)	(5,727)	(128)	**(26,599)**
Incremental depreciation and amortisation following fair value uplift	(5,152)	(3,658)	-	**(8,810)**
Net finance costs	(1,019)	(249)	(764)	**(2,032)**
Profit/(loss) before taxation	**78,921**	**11,309**	**(8,239)**	**81,991**

Seasonality

Historically, activity of the Group's trading operations occurs throughout the year and is largely unaffected by seasonal factors. In the year ended 2019, the period to 30 June accounted for 49.7% of the Group's annual revenue and 48.2% of the Group's annual adjusted EBITDA. The year ending 31 December 2020 will be influenced by the UK economic recovery from the disruption arising as a result of the COVID-19 pandemic and this proportion may alter as a result.

	UK Clay	UK Concrete	Unallocated & elimination	Total
Total segment assets	£000	£000	£000	**£000**
At 30 June 2020	505,381	138,481	68,203	**712,065**
At 31 December 2019	548,731	142,243	80,105	**771,079**
At 30 June 2019*	543,462	128,128	89,446	**761,036**
Total segment liabilities	£000	£000	£000	**£000**
At 30 June 2020	(126,558)	(44,906)	(149,531)	**(320,995)**
At 31 December 2019	(140,059)	(46,312)	(120,407)	**(306,778)**
At 30 June 2019	(140,364)	(42,399)	(112,388)	**(295,151)**

The values of acquired assets associated with the Longley Concrete acquisition in July 2019 were finalised during the period with no updates to provisional values assigned.During the current period, an additional inventory provision of £3.4 million has been recognised within the Clay division in addition to restructuring (see Note 5) and legal provisions arsing.

* see Note 2 for details of restated comparative figures.

5. EXCEPTIONAL ITEMS

	Unaudited	Unaudited	Audited
	Half year ended	Half year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019
Continuing operations	£000	£000	£000
Exceptional cost of sales:			
C-19 related energy contract losses	(6,537)	-	-
C-19 related impairment charges	(19,145)	-	-
C-19 related restructuring charges	(6,001)	-	-
Total exceptional cost of sales expenses	**(31,683)**	**-**	**-**
Exceptional administrative expenses:			
C-19 related administration costs	(379)	-	-
Pension closure costs - legal and actuarial costs	(540)	(231)	(737)
Acquisition of subsidiary - legal costs	-	-	(179)
Exceptional restructuring charges	(2,057)	(295)	(1,880)
Exceptional corporate costs	-	-	(37)
Total exceptional administrative expenses	**(2,976)**	**(526)**	**(2,833)**
Exceptional loss on disposal of property, plant and equipment	-	(56)	-
Exceptional items impacting Adjusted EBITDA	**(34,659)**	**(582)**	**(2,833)**
Exceptional finance costs	(392)	-	-

Total exceptional costs relating to continuing operations	**(35,051)**	**(582)**	**(2,833)**
Exceptional costs relating to discontinued operations	(104)	-	(383)
Total exceptional costs	**(35,155)**	**(582)**	**(3,216)**

Non-GAAP measure

Reconciliation of (loss)/profit before taxation to adjusted (loss)/profit before taxation

	Unaudited	Unaudited	Audited
	Half year ended	Half year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019
	£000	£000	£000
(Loss)/profit before taxation from continuing operations	(51,985)	40,981	81,991
Total exceptional items from continuing operations	35,051	582	2,833
Fair value of energy contracts	6,413	-	-
Adjusted (loss)/profit before taxation from continuing operations	**(10,521)**	**41,563**	**84,824**

Period ended 30 June 2020

Included within the current period are the following exceptional items:

Exceptional cost of sales

COVID-19 related energy contract losses have arisen during the current 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 the consequent sharp reduction in energy usage as the plant network was taken down during the second quarter), resulted in contractual energy positions in excess of production needs. Losses for such contracts covering the period to December 2020 have been included to reflect anticipated surplus contracts over the remainder of the year. These costs have been categorised as exceptional due to their anticipated non-recurring nature.

COVID-19 related impairment charges arising in the current period relate to the impairment of non-current assets and working capital items, as set out in Note 12. Due to the materiality and non-recurring nature of the COVID-19 pandemic, these costs have been categorised as exceptional.

COVID-19 related restructuring costs arising in the current period relate to redundancy costs of 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. The majority of the exceptional costs restructuring costs are held as provisions at 30 June 2020 following the announcement of the Group proposals and the ongoing consultation process. These costs have been treated as exceptional due to their materiality, and the unusual and non-recurring nature of the event giving rise to the costs.

Exceptional administration charges

COVID-19 related administrative costs 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 have been categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Pension related costs which arose in the current period include costs associated with the pension data cleansing exercise currently taking place as part of the Group's pension de-risking exercise, which followed the closure of the scheme to future accrual. These items have been categorised as exceptional due to the non-recurring nature of the scheme closure giving rise to the expenses.

Exceptional restructuring costs arising in the current period relate to COVID-19 related redundancy costs of the employees within the Group's selling, general and administrative ('SG&A') functions following the Group's announced restructuring activity in response to the deterioration in near-term demand outlook caused by COVID-19. The majority of the exceptional costs restructuring costs are held as provisions at 30 June 2020 following the announcement of the Group proposals and the ongoing

consultation process. These costs have been treated as exceptional due to their materiality, and the unusual and non-recurring nature of the event giving rise to the costs.

Exceptional finance costs

Exceptional finance costs include professional fees associated with the Group's renegotiation of banking covenant requirements and application to join the CCFF (see Note 9), both of which have been incurred as a result of the impact of COVID-19 on the Group's financial position and prospects. These costs have been categorised as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional costs relating to discontinued operations

Costs incurred during the current period relate to residual costs in concluding the disposal of the Group's Glen-Gery operations, which were sold in November 2018.

Period ended 30 June 2019

Included within the prior period are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the period ended 30 June 2019 included costs associated with the pension data cleansing exercise taking place as part of the Group's pension de-risking exercise, which followed the closure of the scheme to future accrual.

Exceptional restructuring costs, which arose in the prior period relate to redundancy costs following the establishment of a new Ibstock Concrete division from 1 January 2019. Additionally, costs of restructuring within the Ibstock Clay division were similarly categorised as exceptional. These costs were treated as exceptional due to the unusual and non-recurring nature of the event giving rise to the costs.

Exceptional profit on disposal of property, plant and equipment

The exceptional loss on disposal relates to the closure and subsequent sale of the Group's concrete factory operations in Telford, following restructuring decisions made upon the creation of the new Ibstock Concrete segment from 1 January 2019. This loss has been treated as exceptional due to its inherent link to the restructuring activity undertaken.

Tax on exceptional items

In the current period, the COVID-19 related energy contract losses, restructuring costs, and COVID-19 related administrative costs have all been treated as tax deductible.

The COVID-19 related impairment charges arising on non-current assets and the pension related costs are not tax deductible but give rise to a deferred tax credit such that they are not tax rate impacting.

Costs associated with the discontinued operations are not tax deductible.

6. TAXATION

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

In the March 2020 Budget, the Chancellor of the Exchequer repealed the previously enacted reduction to the standard rate of corporation tax to 17% that was due to come into force from 1 April 2020. The standard rate of corporation tax has been maintained at 19%.

The restatement of deferred tax liabilities arising from this rate change has resulted in a reduction in the reported tax credit of £7.7m and a reduction in the effective tax rate of 14.7% from 19.4% to 4.7%.

Included within the net deferred tax liabilities at 30 June 2020 is a deferred tax asset of £1.0 million relating to unrelieved corporate tax losses incurred in the current period (2019: nil). Management has satisfactorily assessed available evidence to estimate whether sufficient future taxable income will be generated to permit recognition of this deferred tax asset.

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:

	Unaudited	Unaudited	Audited
	30/06/2020	30/06/2019	31/12/2019
	(000s)	(000s)	(000s)
Basic weighted average number of Ordinary shares	409,200	408,320	408,367
Effect of share incentive awards and options	1,897	2,558	3,570
Diluted weighted average number of Ordinary shares	411,097	410,878	411,937

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

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, 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 Effective Tax Rate. In the current period, in order to remove distortions to the effective tax rate applied resulting from changes to the rate of deferred taxation, management has applied the effective tax rate prior to such changes. The impact on comparative figures is immaterial and balances have not been restated.

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

	Unaudited	Unaudited	Audited	Audited	Audited
	Half year ended	Half year ended	Year ended	Year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019	31/12/2019	31/12/2019
			Continuing	Discontinued	Total
	£000	£000	£000	£000	£000
(Loss)/profit for the period attributable to the parent shareholders	(49,670)	32,964	66,475	(383)	66,092
Add back exceptional items	35,155	582	2,833	383	3,216
Add back tax credit on exceptional items	(6,843)	(114)	(536)	-	(536)
Add back fair value adjustments	5,163	4,278	8,810	-	8,810
Less tax credit on fair value adjustments	(1,005)	(837)	(1,667)	-	(1,667)
Add back/(less) non-cash interest	952	(133)	(1,238)	-	(1,238)
(Less)/add back tax expense on non-cash interest	(185)	26	234	-	234
Add back fair valuation of energy contracts	6,413	-	-	-	-
Less tax credit on fair valuation of energy contracts	(1,257)	-	-	-	-
Add back impact of deferred taxation rate change	7,671	-	-	-	-
Adjusted (loss)/profit for the period attributable to the parent shareholders	**(3,606)**	**36,766**	**74,911**	**-**	**74,911**

	Unaudited	Unaudited	Audited	Audited	Audited
	Half year ended	Half year ended	Year ended	Year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019	31/12/2019	31/12/2019
			Continuing	Discontinued	Total
	pence	pence	pence	pence	pence
Basic EPS on profit/(loss) for the period	(12.1)	8.1	16.3	(0.1)	16.2
Diluted EPS on profit/(loss) for the period	(12.1)	8.0	16.1	(0.1)	16.0

Adjusted basic EPS on profit/(loss) for the period	(0.9)	9.0	18.3	-	18.3
Adjusted diluted EPS on profit/(loss) for the period	(0.9)	8.9	18.2	-	18.2

8. NOTES TO THE GROUP CASH FLOW STATEMENT

	Unaudited	Unaudited	Audited
	Half year ended	Half year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019
Cash flows from operating activities	£000	£000	£000
(Loss)/profit before taxation*	(52,089)	40,981	81,608
Adjustments for:			
Depreciation of property, plant and equipment	13,914	13,245	28,999
Non-current asset impairment	16,458	-	-
Amortisation of intangible assets	3,963	3,078	6,410
Finance costs	2,549	1,095	2,032
Loss/(profit) on disposal of property, plant and equipment	29	52	(1,773)
Research and Development taxation credit	(500)	(600)	(1,650)
Share based payment expense	363	397	704
Post-employment benefits	51	(806)	(677)
Other non-cash items	-	-	199
	(15,262)	**57,442**	**115,852**
Decrease/(increase) in inventory	14,047	(5,519)	(16,092)
Decrease/(increase) in trade and other receivables	9,050	(8,409)	2,222
Decrease in trade and other payables	(17,095)	(5,519)	(8,942)
Increase/(decrease) in provisions	15,089	(105)	(963)
Cash generated from operations	**5,829**	**37,890**	**92,077**

*-The loss before taxation, above, includes a loss of £104,000 (period ended 30 June 2019: £nil; year ended 31 December 2019: loss of £383,000) incurred in relation discontinued operations, which do not have material cash flows during the current or prior periods.

During the current period, Government assistance of £8.9 million was received in relation to the Job Retention Scheme and payment of taxes totalling £16.5 million relating to employment taxes, income taxes and value added tax were deferred.

During the six months ended 30 June 2020, the Group acquired assets with a cost of £15.0 million (period ended 30 June 2019: £18.9 million; year ended 31 December 2019: £38.8 million). Assets of £0.2 million were disposed of during the current period for proceeds of £0.1 million (period ended 30 June 2019: £0.7 million for proceeds of £0.6 million; year ended 31 December 2019: nil). Capital expenditure commitments for which no provision has been made were £23.1 million at 30 June 2020 (30 June 2019: £24.9 million; 31 December 2019: £19.6 million).

9. BORROWINGS, AND MOVEMENTS IN CASH AND NET DEBT

At 30 June 2020, the Group held a Revolving Credit Facility ("RCF") for £215 million. The RCF, which is due to expire in March 2022, attracts interest at LIBOR plus a margin ranging from 100-225bps depending upon the ratio of net debt to Adjusted EBITDA (see Note 3 for definitions).

The facility contains debt covenant requirements of leverage (net debt to Adjusted EBITDA) and interest cover (adjusted EBITDA to net finance charge) of 3x and 4x, respectively, to be tested semi-annually on 30 June and 31 December in respect of the preceding 12-month period.

In order to provide appropriate financial flexibility, the Group has agreed covenant amendments with its lending banks. Under these amendments, the leverage test as at December 2020 will be replaced by a liquidity test requiring the Group to have

Minimum Liquidity of £60 million. Liquidity is defined as: (Cash and Equivalents) + (Available Existing RCF Commitments) - (Any Outstanding Drawings under the CCFF). The interest cover test as at December 2020 will be amended to no less than 1.25 times, after which it reverts to 4 times. The leverage test as at 30 June 2021 will be amended to no more than 3.75 times net debt to adjusted EBITDA.

The Group has also been confirmed as eligible to access funding under the Covid Corporate Financing Facility ("CCFF"). This facility would provide additional liquidity, should it be required, but is currently undrawn. The Group notes that the offer is subject to the Bank of England's standard terms where it reserves the right to deem any security ineligible. The Bank of England currently intends to purchase eligible securities until 23 March 2021. Securities can be up to one year in length from this date. The Bank of England has communicated its intention to give six months' notice of the withdrawal of the scheme. The CCFF contains no covenant tests or requirements.

	Unaudited	Unaudited	Audited
	Half year ended	Half year ended	Year ended
	30/06/2020	30/06/2019	31/12/2019
	£000	£000	£000
Cash and cash equivalents	**26,949**	**32,233**	**19,494**
Current			
Revolving credit facility	(521)	(505)	(395)
Non-current			
Revolving credit facility	(129,192)	(93,708)	(103,950)
Total borrowings	**(129,713)**	**(94,213)**	**(104,345)**
Net debt	**(102,764)**	**(61,980)**	**(84,851)**
Net debt to Adjusted EBTIDA ratio			
Net debt	**(102,764)**	**(61,980)**	**(84,851)**
Last 12 months Adjusted EBITDA	72,797	116,496	122,265
Impact of IFRS 16	(7,253)	(3,135)	(7,121)
	65,544	**113,361**	**115,144**
Ratio of net debt to adjusted EBITDA	**1.6x**	**0.5x**	**0.7x**

10. FINANCIAL INSTRUMENTS

IFRS 13 'Financial Instruments: Disclosures' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 30 June 2020, 31 December 2019 and 30 June 2019, the Group's fair value measurements were categorised as Level 2, except for quoted investments within the Group's pension (valued at £151,042,000 at 30 June 2020), which were valued as Level 1.

The Group has a long standing practice of locking in prices for gas and electricity used in the Group's production activities and achieves this by committing to a certain volume of consumption in future months which creates a contractual commitment and secures a certain price. Historically, because the Group took delivery of the energy (and so met the requirements of the own use scope exemption in IFRS 9 Financial Instruments) these contracts were not held on balance sheet at fair value but rather treated as executory contracts and those energy purchases were accounted for in the period in which the gas and electricity was consumed, at the contracted price.

Because of the significant reduction in activity levels due to the COVID-19 pandemic and resulting production shutdown the Group has energy contracts which have failed the own use scope exemption in IFRS 9 ("the failed own use contracts"). The failed own use contracts have therefore been fair valued ("marked to market") and recognised as a derivative liability on the balance sheet. Some of these failed own use contracts will result in energy purchases which will be used by the business in the second half of 2020 but which are required to be accounted for as a derivative liability at 30 June 2020 for accounting purposes. Due to a significant decline in energy prices below the originally contracted amounts, a loss has been recognised as a result of measuring these energy contracts at fair value. All failed own use contracts expire in 2020.

The Group has therefore been adversely affected by the reduction in energy needs compared with the contractually committed amounts, and the requirement under IFRS 9 to fair value those contracts which have failed the own use exemption but which are still held at 30 June 2020. The Group is only presenting as exceptional that element of the failed own use contracts for which it did not take, or does not expect to take, delivery of the energy, but rather sold, or expects to sell, it back (at a loss) in the market. This amounted to £4.0m in respect of contracts which expired in H1 2020 and £2.5m in respect of energy which is not forecast to be used in H2 2020.

A further charge (and a derivative liability at 30 June 2020) of £6.4m has been recognised in the income statement, which represents the energy costs which are expected to be used in H2 2020 but where the associated contract failed the own use contract scope exemption. The effect of this requirement is to bring forward the accounting charge which would have come through in H2 2020. This has not been split out as exceptional, on the basis that it forms part of the original anticipated total expense for benefits that the Group still expects to consume during 2020. However, because a significant proportion of this total expense has been recognised in H1 instead of H2, as a result of applying IFRS 9 this accelerated charge has been excluded in arriving at the alternative performance measure Adjusted EBITDA (Note 3) which is used to report underlying business performance. This £6.4m (which is in respect of energy which is forecast to be used in H2) is not expected to be excluded in arriving at in the Adjusted EBITDA APM in the full year numbers, as it is expected that the contracted energy will be consumed in H2 2020. The Directors do not believe the isolated incidence of net settling such contracts and the resultant failed own use contracts, precludes the future use of the own use exemption for similar contracts in future periods.

There were no transfers between levels during any period disclosed.

At 30 June 2019 and 31 December 2019, the Group held no significant derivative financial instruments.

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

11. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the six-month period to 30 June 2020, the Scheme surplus of £88.7 million has reduced to a surplus of £61.2 million. Analysis of movements during the six-month period ended 30 June 2020:

	£000
Scheme surplus at 31 December 2019 (audited)	**88,656**
Charge within labour costs and operating profit	(926)
Interest income	882
Remeasurement due to: change in financial assumptions	(68,909)
Remeasurement due to: change in demographic assumptions	3,057
Remeasurement due to: return on plan assets	42,571
Experience gains	(4,990)
Contributions	875
Scheme surplus at 30 June 2020 (unaudited)	**61,216**

The reduction in the balance sheet surplus over the period primarily reflects actuarial losses from a change in market conditions underlying the financial assumptions (as detailed below). This impact was partially offset by higher than expected investment returns.

The financial assumptions used by the actuary have been derived using a methodology consistent with the approach used to prepare the accounting disclosures at 31 December 2019. The assumptions have been updated based on market conditions at 30 June 2020:

Assumptions:	Unaudited 30/06/2020	Unaudited 30/06/2019	Audited 31/12/2019
Discount rate	1.40%	2.20%	2.00%
RPI inflation	2.85%	3.20%	3.00%
CPI inflation	2.35%	2.20%	2.00%
Mortality assumptions: life expectancy at age 65			
For a male currently aged 65	21.6 years	21.3 years	21.6 years
For a female currently aged 65	23.9 years	23.5 years	23.8 years
For a male currently aged 40	23.5 years	23.1 years	23.5 years
For a female currently aged 40	25.9 years	25.5 years	25.8 years
Commutation of pension for cash on retirement	88% of retiring members take 100% of maximum amount (four times pension)	88% of retiring members take 100% of maximum amount (four times pension)	88% of retiring members take 100% of maximum amount (four times pension)
Cash commutation factors - sample factor at age 65	17.31	15.52	15.52

12. IMPAIRMENT

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 tests across the Group's cash-generating units ("CGUs") as at 30 June 2020.

The recoverable amount of the four groups of CGUs forming the non-current assets within Ibstock Brick, Forticrete, Supreme/Anderton and Longley Concrete were tested for impairment with the recoverable amount estimated based on value-in-use ("VIU") calculations.

The carrying value of property, plant and equipment excluded assets relating to the factory CGUs subject to proposed closure, which were tested for impairment with the recoverable amount determined based on the fair value less costs to dispose ("FVLCTD"). Determination of FVLCTD by management reflected full impairment of all items of plant and machinery and working capital for which management's assessment was that no alternative use, future salvage value or disposal proceeds are expected for the impacted assets. This resulted in the recognition of an impairment charge of £19,145,000 at 30 June 2020 related to these assets.

Within management's VIU calculations, the discount rate used by management was 8.5%. A terminal growth rate of 2% was used consistently across CGUs reflecting management's past experience, expectations of future market performance and longer-term industry forecasts. Except for the assets associated with factory CGUs subject to potential closure (tested using FVLCTD, as noted above) and the Longley Concrete CGU, the recoverable value of Ibstock Brick, Forticrete and Supreme/Anderton CGUs materially exceeded their carrying value. Management therefore believes that no reasonably possible change in the key assumptions noted above would cause the carrying values to materially exceed its recoverable amount.

The assessment of the recoverable amount of the Longley Concrete CGU is most sensitive to the achievement of its future estimated cash flows. These estimations are based on five-year budgeted performance levels comprising forecasts for revenue, staff and material costs, and overheads based on anticipated market conditions that have been considered and approved by the Board. Whilst management are able to determine the level of these costs, revenue projections are inherently uncertain as a result of the COVID-19 pandemic.

A 10% underperformance against expectations for the Longley CGU is considered reasonably possible and would lead to a non-cash impairment charge of £1,120,000 attributed to the goodwill arising upon acquisition of the business in July 2019. An underperformance of 24% against budget would be required prior to recognition of an impairment charge further impacting the Longley Concrete tangible fixed assets and brand and customer relationship intangible assets.

For the remaining three groups of CGUs (Ibstock Brick, Forticrete, Supreme/Anderton), the following table sets out the movement in key assumptions necessary to require recognition of an impairment charge (reverse stress testing).

	Unaudited	Unaudited
	Reduction in future estimated cash flows	Increase in WACC
Cash-Generating Unit		
Ibstock Brick	30%	3.9%
Forticrete	38%	6.0%
Supreme/Anderton	40%	6.1%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of these CGUs to exceed its recoverable amount and result in recognised impairment charges.

13. RELATED PARTY TRANSACTIONS

In the six-month period ended 30 June 2020

There were no related party transactions during the six-month period ended 30 June 2020 nor any balances with related parties at 30 June 2020.

In the six-month period ended 30 June 2019

There were no related party transactions during the six-month period ended 30 June 2019 nor any balances with related parties at 30 June 2019.

14. DIVIDENDS PAID AND PROPOSED

As announced on 24 March 2020, given the COVID-19 pandemic and in order to preserve the Group's liquidity and financial position, the 2019 final dividend payment that was proposed within the announcement of the full-year 2019 results was cancelled (2018 final dividend: 6.5 pence).

The Directors do not propose an interim dividend in respect of 2020 (2019: 3.2 pence) as a result of the uncertainty associated with the COVID-19 pandemic. In the comparative period, the directors declared a supplementary dividend of 5.0 pence per ordinary share to be paid alongside the interim dividend amounting to a dividend of £20.5 million.

The comparative condensed consolidated financial statements do not reflect the 2019 interim dividend payable at 30 June 2019.

15. POST BALANCE SHEET EVENTS

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

INDEPENDENT REVIEW REPORT TO IBSTOCK PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

5 August 2020