Ibstock PLC - Preliminary Results
3 March 2020

Ibstock plc

Results for the year ended 31 December 2019

Resilient trading performance and good strategic progress provide platform for future growth

Ibstock plc ("Ibstock" or the "Group"), a leading manufacturer of clay bricks and concrete products in the United Kingdom, announces its results for the year ended 31 December 2019.

12 months to 31 December	2019	2018	Change
Revenue	**£409m**	**£391m**	**+5%**
Adjusted EBITDA	**£122m**	**£112m**	**+9%**
Profit before tax	**£82m**	**£93m**	**(12%)**
Adjusted PBT	**£85m**	**£84m**	**-**
Statutory EPS	**16.3p**	**18.8p**	**(13%)**
Adjusted EPS	**18.3p**	**18.8p**	**(3%)**
Total Ordinary Dividend	**9.7p**	**9.5p**	**+2%**

Financial Highlights:

- Solid revenue growth of 5%, reflecting growth in both our Clay and Concrete divisions
- Adjusted EBITDA of £122 million, representing growth of 2% excluding a c.£7 million benefit from the adoption of IFRS 16
- Adjusted EPS for 2019 marginally lower year-on-year, reflecting a higher effective tax rate for the year of 18.9% (2018: 17.4%)
- Statutory PBT and EPS for 2019 are lower year-on-year, primarily reflecting exceptional profits on disposal of surplus property in FY18
- Final dividend of 6.5 pence per share (2018: 6.5 pence per share) making the 2019 full year ordinary dividend 9.7 pence per share (2018: 9.5 pence per share), a 2% increase
- Continued strong cash flow generation enabled an additional 5.0 pence per share supplementary dividend paid in September 2019
- Net debt at year end, at £85 million, a net debt/EBITDA ratio of 0.7x (pre-IFRS 16), towards lower end of target range

Operational Highlights:

- Resilient trading performance for the year, against a backdrop of political and economic uncertainty and reduced new build housing activity in the second half of 2019
- Solid progress made with our three strategic priorities - Sustain, Innovate and Grow
- Production volumes have benefited from the new Eclipse brick factory in Leicestershire, and the maintenance programme, which progressed as planned, allowing us to re-build inventory during the year from historic low levels
- Integration of Longley Concrete is progressing well and the business has performed in line with expectations
- Sustainability roadmap published with our progress in this area recognised externally with several awards, including an edie award for energy management for the second year in a row
- Announcing £45 million investment to re-develop and expand existing brick factory; to be commissioned in 2022, delivering a leading production cost and sustainability profile

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

"2019 was a year of progress for Ibstock, as we delivered a resilient trading performance against a backdrop of political and economic uncertainty. We made good progress against our strategic priorities, including measures to enhance production volumes and quality, the strengthening of our executive team and expanding our Concrete business, through the acquisition of Longley Concrete.

"Our strong cash generation allowed us to invest in the business and to pay a further supplementary dividend to our shareholders while remaining towards the lower end of our debt guidance range. Today we are announcing a further investment in a new state-of-the-art 80 million per annum clay brick factory to re-develop our Atlas site, in the West Midlands.

"Fundamentals in the UK remain robust, with a structural housing deficit, low interest rates, high employment and the benefit of the Government's Help-to-Buy scheme all underpinning the market. However, the political uncertainty which caused more subdued market conditions in the second half of 2019 has meant a slower start to 2020. We anticipate that activity levels will improve as the year progresses, and as a result, expect to deliver a stable outcome for the year."

Results presentation

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

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

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

Webcast link: https://brrmedia.news/a6vyj
Conference Call Dial-In Details: +44 (0)330 336 9411
Password: 2253729

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

Ibstock plc
Joe Hudson, CEO
Chris McLeish, CFO
Robert Coates, Investor Relations Director 07880 486329

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Kevin Smith
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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 has recently commissioned a new soft mud brick manufacturing plant in Leicestershire 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 16 manufacturing plants in the United Kingdom.

Chief Executive's review

Introduction

I am pleased to report on another year of resilient performance and good strategic progress, as we continued on our journey to put Ibstock 'At the heart of building' in the UK. During the year we made improvements to sustain production in our Clay operations, strengthened our industry expertise with new executive talent, progressed our innovation and sustainability initiatives, and expanded the product range and geographical reach of our concrete business through acquisition.

The market for our products remained broadly stable during the first half of the year. However, we witnessed some softer market conditions in the second half, against a backdrop of ongoing political and economic uncertainty in the UK ahead of the General Election. Nevertheless, as we worked to grow and enhance our business, we also delivered a resilient trading performance and another year of revenue and adjusted EBITDA[1] growth.

In our Clay division, the new Eclipse soft mud brick factory performed well and contributed to sales volume throughout the year. We also saw improved production volumes from some of our other key brick manufacturing sites. With the completion of our capital enhancement projects in 2020, we will have a well-maintained network to serve customers as market conditions improve.

Demand for our concrete products was mixed, with strong performance in roofing and walling being tempered by softer demand in the Repair, Maintenance and Improvement ("RMI") and rail infrastructure markets.

Financial Performance

Group revenue for the year to 31 December 2019 was up 5% to £409 million (2018: £391 million), with Group adjusted EBITDA up 9% to £122 million including a c.£7 million benefit from the adoption of IFRS 16 (2018: £112 million excluding IFRS 16), or 2% excluding that effect. Profit before tax declined to £82 million in 2019, from £93 million in the prior year, primarily as a result of exceptional profit on disposal of surplus property in 2018.

Our strong balance sheet and cash flow generation underpin our ability to invest for growth to create long term value for our shareholders. In July, we announced the acquisition of Longley Concrete, a precast flooring specialist which is highly complementary to our existing Concrete business. As part of our capital enhancement projects announced in March 2019, we also invested incremental capital to enhance the reliability and output at several of our clay factories, with the remaining projects to complete this year. In addition, we paid a supplementary dividend of 5.0 pence per share, demonstrating our commitment to shareholder returns. Including the final ordinary dividend of 6.5 pence per share, and the 3.2 pence interim, this takes the total dividends for the year to 14.7 pence per share.

We have been able to deliver this investment and significant shareholder returns (totalling £60 million in the year) whilst maintaining our strong balance sheet and remaining towards the lower end of our leverage range at 0.7x net-debt to adjusted EBITDA at year-end (pre-IFRS 16).

Strategic Initiatives

In March 2019, following a review of Group businesses, we outlined the three priorities which would be at the heart of our strategic plan for the years ahead: Sustain, Innovate and Grow. Action plans for each area were put in place with the objective of strengthening our core business, and ensuring that Ibstock is fit for the future and capable of delivering long-term, sustainable growth.

We made some encouraging early headway with the delivery of these initiatives during the year and I am pleased to update on our progress.

Sustain

The health and safety of everyone who works in our business is our greatest priority. 2019 saw us introduce our Health and Safety roadmap and revised long-term targets and initiatives across Ibstock, with common standards now in place to improve health and safety Group-wide, based on leading indicators of our performance as well as more ambitious forward-looking targets. Although our lost time accident rate increased slightly in 2019, we have seen increased cultural awareness around health and safety across the Group, with the number of safety concerns raised increasing year-on-year. Our minor accident rate has fallen significantly, helped by our early initiatives including mandatory PPE standards.

Sustainability has become a crucially important issue for every business, and I am pleased that we have continued to play a leading role in our sector. During the year, we developed a detailed roadmap of environmental and social targets for the Group in the period up to 2025. We are committed to making a positive impact on society and the specific targets we have set ourselves for 2025 include growing the volume of sustainable products we sell by 10%, cutting CO_2 by a minimum of 15% per tonne of production and cutting waste to landfill to zero. In addition, we have entered into a national charity partnership with Shelter, with support from all of our sites to raise money and help tackle homelessness. We have also formed a partnership with Well North Enterprise to support long term community investment and social housing initiatives in the North of England.

We are pleased that our progress in this area continues to be recognised externally and were proud to have been awarded, amongst others, an edie award and *Most Ethical / Sustainable Manufacturer of the Year* at the Made in the UK awards during the year.

The Group's businesses provide a solid platform for future growth, with strong brands, customer relationships and established routes to market. Our markets are constantly evolving and we recognise that we must continually develop and invest in new organisational structures and capabilities to sustain and drive world class performance across our business. In 2019 both our Clay and Concrete divisions have reorganised their commercial functions to optimise our ability to service our customers and make it even easier to do business with Ibstock.

The maintenance programme in our Clay business, announced in 2018, progressed as planned and we saw improved production volumes from key sites in the second half as plants came fully back on stream. These improved production volumes gave us the opportunity to re-build inventories in the second half of the year, from historically low levels. This will increase our operational flexibility and customer service as we move into 2020. Improved maintenance is part of a cultural change that is taking place across the Group as we embed best practices and drive continuous improvement to ensure reliability, output and product quality is sustained in future. We also announced last year a £25 million investment in capital enhancement projects across 2019 and 2020, where new equipment and automation will enhance our manufacturing capacity and result in a well-maintained network ready to serve our customers as market conditions improve.

Following the appointment of the new executive team, we have identified a number of opportunities to substantially upgrade our operational capabilities. We will initiate a programme during 2020 to ensure we capture the full value of these opportunities.

Innovate

As a market leader, our product range is unrivalled in terms of breadth and depth. However, to retain our position, we understand that a commitment to continuous innovation is essential. The construction industry continues to evolve, as our customers look to drive efficiency in their build processes, and digitisation revolutionises traditional ways of working. We are focusing on the optimisation of our supply chain, strengthening our commercial functions and the development of innovative new products.

We identified an opportunity for the Group to build a more cohesive brand positioning, completing a rebranding exercise across the Group during 2019, introducing a unified and more contemporary identity which better communicates the breadth of our product range and capabilities. As part of this initiative, we also opened the Ibstock I-studio, our new London design centre in Clerkenwell, to help us build stronger relationships with architects and specifiers and drive more value from our portfolio of high-quality building products.

Other new initiatives included the I-Range, a selection of brick solutions for architects and specifiers, which combines a unique product with expert advice and support from our qualified and experienced design and technical teams, an online product selector linked to our next-day sample service, and the introduction of Showpad – the market-leading sales tool – for our entire sales team. We are already beginning to see the initial benefits from these initiatives through the generation and conversion of new leads.

Grow

With a strong balance sheet, the Group has capacity to invest in both organic growth projects and, where it sees a strategic fit and an opportunity to create value, in businesses which strengthen and complement our existing operations.

Within our Clay division, which is operating in a market in which demand for bricks exceeds that available from domestic manufacturing capacity, we have a number of opportunities to enhance capacity in both our wire-cut and soft mud operations. To this end, we will initiate construction in 2020 of a new, state-of-the-art 80 million per annum brick factory, at an existing site, which will have an industry leading manufacturing cost and sustainability profile. This investment will expand further our capacity against a backdrop of a significant UK housing deficit and robust demand from the new build housing sector over the medium term. This factory will cost around £45 million, and is expected to be commissioned during 2022.

In July 2019, we announced the bolt-on acquisition of Longley Concrete, a family-owned business, specialising in supplying precast concrete flooring direct to major house builders and contractors. The business, which can trace its roots back to 1947, has three manufacturing plants in the UK and is a highly complementary fit with our existing concrete operations, creating a leading national flooring business. Longley joins Forticrete, Supreme and Anderton within Ibstock Concrete and the division is now focused on four core product areas – roofing and walling, flooring, infrastructure and other building and fencing products. We are also progressing our plans to redevelop an existing manufacturing site to expand capacity and improve our lower production cost profile to ensure we deliver strong returns from our investment in Longley Concrete.

We will continue to explore opportunities for value-enhancing acquisitions that would expand our product portfolio and enable us to build or strengthen a market-leadership position. Target businesses will serve the UK construction market with products that primarily fit within the residential building envelope and demonstrate clear synergies through the leverage of our existing routes to market. With this clear focus, we believe we can create value and continue to deliver industry-leading margins and returns.

People

The Group continued to strengthen the executive team across the business during the year, making a number of new appointments. Chris McLeish joined as CFO in August 2019 and we further strengthened the management team at operating level, with the appointment of Kate Tinsley as Managing Director of our Clay Division during the first half. Kate subsequently joined the Group Board at the beginning of 2020. We also welcomed Annette Forster as Group Marketing Director and Nicola Hale as Human Resources Director earlier in 2019 and Nick Giles joined the business as Company Secretary in November 2019.

These new appointments have brought fresh challenge and insight to Ibstock, creating a strong and diverse executive leadership team with the capability to drive growth and transformation across the business. I am pleased with the impact they are already making on the business.

Outlook

Fundamentals in the UK remain robust, with a structural housing deficit, low interest rates, high employment and the benefit of the Government's Help-to-Buy scheme all underpinning the market.

However, the political uncertainty, which caused subdued market conditions in the second half of 2019 has meant a slower start to 2020. We anticipate that activity levels will improve as the year progresses and, as a result, expect to deliver a stable outcome for the year.

1 – Alternative Performance Measures are described in Note 3 of the financial statements.

Chief Financial Officer's report

Introduction

The Group delivered a resilient performance in 2019, achieving growth in both revenue and adjusted EBITDA[1]. With a proposed final dividend of 6.5 pence, the total ordinary dividend increased by 2%. Our strong balance sheet and cash generation also enabled us to finance a bolt-on acquisition through existing cash resources, invest in a number of key capital enhancement projects and pay a supplementary dividend to shareholders, while ending the year with leverage towards the lower end of our target range. This strong position leaves the Group well-placed to create sustainable value for shareholders over the medium-term.

Longley Concrete acquisition

On 31 July 2019, the Group announced the acquisition of Longley Concrete for net consideration of £13.7 million. The business has performed in line with expectations since the acquisition and the integration process is progressing as planned. Goodwill of £3.0 million and intangible assets of £6.6 million were recognised upon acquisition.

Group results

Revenue

Group revenue from continuing operations in the year ended 31 December 2019 increased by 4.6% to £409.3 million (2018: £391.4 million).

Underlying growth reflected a solid performance within our Clay business, which performed well despite some softening of market conditions, particularly within the merchant segment, during the second half of the year. Clay divisional performance was supported by mid-single digit price increases, with volumes marginally below the prior year.

Concrete revenue was 11.1% ahead of the prior year, with good revenue growth in roof tiles driven by stronger sales volumes, partially offset by lower volumes of pre-stressed and infrastructure products.

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 where noted below, with those presented in our 2018 Annual Report & Accounts. Changes to our net debt to adjusted EBITDA ratio APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects, are described further in Note 3. Additionally, comparative measures have been restated to exclude the performance of our US operations, which were disposed of in November 2018.

Adjusted EBITDA

Management measures the Group's operating performance using adjusted EBITDA. For the continuing operations, adjusted EBITDA increased by 8.8% to £122.3 million in the year ended 31 December 2019 (2018: £112.4 million).

Adjusted EBITDA was positively impacted by the Group's transition to the new lease accounting standard (IFRS 16). The Group adopted the modified retrospective method of transition to the new standard and as a result, has not restated prior period amounts. The new standard, which results in the recognition of both right-of-use assets and lease liabilities on the balance sheet, had a positive impact on adjusted EBITDA totalling £7.1 million in the year ended 31 December 2019. Excluding the benefit from the transition to IFRS 16, Group adjusted EBITDA increased by 2.5%. The adoption led to a modest reduction in profit before taxation, with operating lease costs replaced by depreciation and interest charges. Further details of the application of IFRS 16 are included in Note 2.

Growth in adjusted EBITDA was driven by increased profitability within the Clay Division, which delivered an increase of 10% (or 5% excluding the impact of IFRS 16). This result was supported by price increases and benefits from a full year of production from our new 100 million per annum soft mud brick facility in Leicestershire. Performance benefited from lower material costs, partially offset by higher energy and maintenance costs, as well as some cost savings and modest one-off benefits which positively impacted margins in the second half of the year.

Adjusted EBITDA (prior to the benefit of IFRS 16) in our Concrete business reduced by 2.4% to £20.1 million, modestly behind the prior year despite good growth in roofing tiles, primarily reflecting the impact of sales mix and softening in the RMI and infrastructure markets, particularly during the second half of the year.

Finance costs

Net finance costs of £2.0 million were below the level of £3.5 million in the prior year, principally reflecting reduced interest costs associated with the Group's debt, which was below the levels of average net debt in the prior year.

Profit before taxation

Group statutory profit before taxation was £82.0 million (2018: £92.5 million), with the performance in the prior year including exceptional profits on disposal of surplus property of £9.5 million. Prior to exceptional items, adjusted profit before taxation was £84.8 million (2018: £84.5 million), representing an increase of 0.4% on the prior year as growth in adjusted EBITDA was broadly offset by increased depreciation.

Taxation

The Group recorded a taxation charge of £15.5 million (2018: £16.1 million) on Group pre-tax profits of £82.0 million (2018: £92.5 million), resulting in an effective tax rate ("ETR") of 18.9% (2018: 17.4%) compared to the standard rate of UK corporation tax of 19.0%. The prior year ETR benefited from a deferred tax credit reflecting the expected timing of the unwinding of the pension scheme surplus.

Earnings per share

Group statutory basic EPS for continuing operations decreased by 13.3% to 16.3 pence in the year to 31 December 2019 (2018: 18.8 pence) principally as a result of the Group's reduced statutory profit after taxation, which was boosted in the prior year by the net £8.0 million exceptional credit arising on the Group's surplus property disposals (£9.5 million) and other exceptional items, as discussed above.

Group adjusted basic EPS[1] for continuing operations of 18.3 pence per share reduced marginally from the 18.8 pence reported last year – the movement principally reflecting the higher effective tax rate in the current year. In line with prior years, our adjusted EPS 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 has been included to provide a clearer guide as to the underlying earnings performance of the Group. A full reconciliation of our adjusted EPS measure is included in Note 7.

Table 1: Earnings per share

	2019 pence	2018 pence
Statutory basic EPS – Continuing operations	**16.3**	**18.8**
Adjusted basic EPS – Continuing operations	**18.3**	**18.8**

Cash flow and net debt

Cash generated from operations during 2019 is shown in Table 2, below. Adjusted free cash flow[1] decreased by £20.1 million in the year. EBITDA growth was more than offset by movements in working capital, as we built finished goods inventories within Clay during the second half, and additional capital expenditure associated with our enhancement projects, which combined with our maintenance programme, will help ensure we have a well-maintained network ready to serve our customers as markets conditions improve.

Tax totalling £13.3 million was paid in the period (2018: £9.7 million). The tax payments in the prior period included the receipt of tax refunds for claims made in earlier years. Cash conversion[1] fell to 59% in the year ended 31 December 2019, primarily as a result of increased capital expenditure (including spend relating to our capital enhancement projects) and working capital as we rebuilt inventories from historically low levels.

Table 2: Cash flow (non-statutory)

	2019 £'m	2018 £'m	Change £'m
Adjusted EBITDA[1]	122.3	112.4	9.9
Change in working capital ("WC")	(24.3)	(7.3)	(17.0)
Net interest	(2.6)	(3.8)	1.2
Tax	(13.3)	(9.7)	(3.6)
Post-employment benefits	(2.2)	(7.0)	4.8
Other[2]	(7.9)	(0.1)	(7.8)
Adjusted operating cash flow	72.0	84.5	(12.5)
Cash conversion[1]	59%	75%	(16%pts)
Total capex	(38.8)	(31.2)	(7.6)
Adjusted free cash flow[1]	33.2	53.3	(20.1)

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 in 2019 includes operating lease payments, which were included within Adjusted EBITDA in prior periods.

The net change in working capital of £24.3 million during 2019 primarily reflected increased inventories in our clay division. Net debt[1] (borrowings less cash) of £84.9 million at 31 December 2019 compares to £48.4 million at the prior year end, reflecting increased working capital and higher capital expenditure in the period.

Looking forward, we expect cash tax in 2020 to be above 2019, due to the acceleration of corporation tax payments to HMRC. We anticipate the sustaining load of capital expenditure for the existing network will be approximately £25 million per annum, falling to £20 million once current investments are completed. Consequently, for 2020 we expect total capital expenditure to around £40 million, including the second year of spend associated our capital enhancement projects and the start of our latest brick manufacturing development project.

The Group has a £215 million revolving credit facility with a group of five major banks. The five-year facility was entered into in March 2017 and contains interest cover and leverage covenant limits of 4x and 3x, respectively. The Group remains comfortably within both covenant requirements.

Capital allocation

In order to provide clear guidance on capital allocation, we set out updated priorities below.

1. **Maintain and enhance our assets**

Firstly, we will invest to maintain and enhance our existing network of assets, to ensure we deliver sustainable performance over the long term.

2. **Ordinary dividends**

We are committed to paying ordinary dividends which are sustainable and progressive. We would expect to grow the ordinary dividend over time roughly in line with earnings, subject to retaining adequate levels of cash and earnings cover.

3. **Major organic growth investments and M&A**

We will invest in major organic projects which grow the business whilst maintaining our strong returns profile. We will also continue to explore opportunities for value-enhancing acquisitions that enable us to expand our product portfolio or build or strengthen a market-leadership position. All investments will be subject to strict strategic and financial criteria.

4. **Capital returns**

Finally, we will return surplus funds periodically to shareholders as appropriate.

Our priorities are underpinned by the fundamental commitment to maintaining a strong balance sheet and we will maintain our conservative approach to leverage. We reiterate our existing guidance on leverage with a targeted range of 0.5 to 1.5 times through the cycle, prior to the impact of IFRS 16.

Dividend

A final dividend of 6.5 pence per ordinary share (2018: 6.5 pence) is being recommended for payment on 8 June 2020 to shareholders on the register at the close of business on 11 May 2020. This is in addition to our interim dividend paid in September 2019 of 3.2 pence per ordinary share (2018: 3.0 pence), which was paid alongside a supplementary dividend of 5.0 pence per ordinary share (2018: 6.5 pence).

The proposed dividend reflects the Board's continued confidence in the long-term fundamentals of the business.

Pensions

At 31 December 2019, the defined benefit pension scheme ("the scheme") was in an actuarial accounting surplus position of £88.7 million (31 December 2018: surplus of £80.7 million). At the year end, the scheme had asset levels of £625.9 million (31 December 2018: £574.4 million) against scheme liabilities of £537.3 million (31 December 2018: £493.7 million). Liabilities include an amount of £1.5 million in relation to the GMP equalisation liability, which was recognised in the prior year.

The improvement in the underlying scheme balance sheet position in the year was primarily due to the higher than expected investment returns, although much of this was offset by actuarial losses from changes in market conditions underlying the financial assumptions. The fall in liabilities also reflects the significant values transferred out of the scheme by members following the closure of the scheme to future accrual.

The Group continues its ongoing work with the scheme Trustees to de-risk the pension and to match asset categories investment strategy with the associated liabilities.

Related party transactions
Related party transactions are disclosed in Note 10 to the consolidated financial statements. During the current and prior year, there have been no material related party transactions.

Subsequent events
With the exception of the proposed final dividend noted above, there have been no further events subsequent to 31 December 2019 which management believe require adjustment or disclosure.

Going concern
The Group continues to meet its day to day working capital and other funding requirements through a combination of strong operational cash flows and the long-term funding in place. As noted above, the Group holds a committed RCF of £215 million, which expires in March 2022.

Segmental reporting
Following the disposal of the Glen-Gery operations in the United States in November 2018, management has reviewed the way in which it reports segmental performance. This review considered how Ibstock might enhance the insight and transparency of the trading performance in its operations. As a result of this exercise, the Group adopted a new segmental reporting structure in the period to present the Clay and Concrete operations as its reportable segments. Prior year comparatives and the composition of the unallocated segment have been restated accordingly. Details are contained within Note 4.

Exceptional items
In line with our accounting policy for exceptional items, we have excluded certain items from our adjusted EBITDA to aid shareholders' understanding of our underlying financial performance. Infrequent events, such as the restructuring costs arising upon creation of our new divisional structure during the year and the material profits on disposal of surplus property assets in the prior year, have been treated as exceptional. Further details are set out in Note 5 of the financial statements.

Risks and uncertainties
The Board assesses and monitors the key risks impacting the business on an ongoing basis. During the year, the externally facilitated review and implementation of the Group's risk management approach was concluded. As part of this process, which enhances our risk management activities and capabilities, we have refreshed the process by which the Group evaluates and reports principal risks and uncertainties and risk descriptions have been updated accordingly.

The Group's activities expose it to a variety of risks: economic conditions, Government regulation and standards relating to the manufacture and use of building products, customer relationships and reputation, operational disruption, recruitment and retention of key personnel, input prices, product quality, financial risk management, cyber security, climate change and anticipating the market and new product development. The Group's risk management approach together with these principal risks and mitigating actions are set out within the 2019 Annual Report and Accounts.

Statement of directors' responsibilities in relation to the financial statements

The responsibility statement below has been prepared in connection with the Company's Annual Report and Financial Statements for the year ended 31 December 2019; certain parts of this report are not included within this announcement.

Each of the directors in office as at the date of the Annual Report, whose names and functions are set out within the Annual Report, confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the management report (which comprises the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by

Joe Hudson	Chris McLeish
Chief Executive Officer	Chief Financial Officer
2 March 2020	2 March 2020

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2019**	Year ended 31 December 2018
		£'000	£'000
Continuing operations			
Revenue	4	409,257	391,402
Cost of sales		(250,008)	(236,994)
Gross profit		**159,249**	**154,408**
Distribution costs		(42,052)	(39,749)
Administrative expenses before exceptional items		(34,633)	(31,116)
Exceptional administrative items	5	(2,833)	(1,447)
Administrative expenses		**(37,466)**	**(32,563)**
Profit on disposal of property, plant and equipment		1,773	1,735
Exceptional profit on disposal of property, plant and equipment	5	-	9,472
Total profit on disposal of property, plant and equipment		**1,773**	**11,207**
Other income		3,458	3,036
Other expenses		(939)	(348)
Operating profit		**84,023**	**95,991**
Finance costs		(4,735)	(4,737)
Finance income		2,703	1,262
Net finance cost		**(2,032)**	**(3,475)**
Profit before taxation		**81,991**	**92,516**
Taxation	6	(15,516)	(16,102)
Profit from continuing operations		**66,475**	**76,414**
Discontinued operations			
(Loss)/profit from discontinued operations, net of tax		**(383)**	**652**
Profit		**66,092**	**77,066**
Profit attributable to:			
Owners of the parent		66,092	77,066
Profit attributable to:			
Continuing operations		**66,475**	**76,414**
Discontinued operations		**(383)**	**652**
		66,092	77,066

	Notes	pence per share	pence per share
Earnings per share			
Basic - continuing operations	7	16.3	18.8
Basic - discontinued operations	7	(0.1)	0.2
		16.2	19.0
Diluted - continuing operations	7	16.1	18.6
Diluted - discontinued operations	7	(0.1)	0.2
		16.0	18.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31/12/2019**	Year ended 31/12/2018
		£'000	£'000
Profit for the financial year		**66,092**	**77,066**
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Remeasurement of post employment benefit assets and obligations[1]		5,005	28,892
Related tax movements[1]		(851)	(5,357)
		4,154	23,535
Items that may be subsequently reclassified to profit or loss			
Currency translation differences - discontinued operations[2]		-	3,157
Reclassification of accumulated translation differences on disposal of subsidiary undertaking[2]		-	(11,347)
		-	(8,190)
Other comprehensive income for the year net of tax		4,154	15,345
Total comprehensive income for the year, net of tax		70,246	92,411
Total comprehensive income attributable to:			
Owners of the parent		70,246	92,411

[1] Impacting retained earnings

[2] Impacting the currency translation reserve

Non-GAAP measure

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

	Notes	**Year ended 31/12/2019**	Year ended 31/12/2018
Adjusted EBITDA		122,265	112,371
Add back exceptional items impacting EBITDA	5	(2,833)	8,025
Less depreciation and amortisation		(35,409)	(24,405)
Operating profit		84,023	95,991

NB. Due to the implementation of IFRS 16, Adjusted EBITDA is not directly comparable between 2019 and 2018. Further details of the impact of IFRS 16 are included within Note 3.

CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2019**	31 December 2018
		£'000	£'000
Assets			
Non-current assets			
Intangible assets		102,594	100,587
Property, plant and equipment		386,255	365,478
Right-of-use assets		30,479	-
Post-employment benefit asset	9	88,656	80,705
		607,984	546,770
Current assets			
Inventories		84,327	68,426
Trade and other receivables		58,088	55,733
Cash and cash equivalents		19,494	36,048
		161,909	160,207
Assets held for sale		1,186	-
Total assets		771,079	706,977
Current liabilities			
Trade and other payables		(88,150)	(92,447)
Borrowings		(395)	(548)
Lease liabilities		(6,586)	-
Current tax payable		(6,350)	(6,357)
Provisions		(738)	(783)
		(102,219)	(100,135)
Net current assets		60,876	60,072
Total assets less current liabilities		668,860	606,842
Non-current liabilities			
Borrowings		(103,950)	(83,882)
Lease liabilities		(23,775)	-
Deferred tax liabilities		(69,655)	(67,336)
Provisions		(7,179)	(7,593)
		(204,559)	(158,811)
Total liabilities		(306,778)	(258,946)
Net assets		**464,301**	**448,031**
Equity			
Share capital		4,093	4,065
Share premium		7,441	917
Retained earnings		822,321	813,851
Merger reserve		(369,119)	(369,119)
Own shares held		(435)	(1,683)
Total equity		**464,301**	**448,031**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Merger reserve	Currency translation reserve	Own shares held	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	**4,065**	**917**	**813,851**	**(369,119)**	**-**	**(1,683)**	**448,031**
Profit for the year	-	-	66,092	-	-	-	**66,092**
Other comprehensive income	-	-	4,154	-	-	-	**4,154**
Total comprehensive income for the year	**-**	**-**	**70,246**	**-**	**-**	**-**	**70,246**
Transactions with owners:							
Share based payments	-	-	704	-	-	-	**704**
Current tax on share based payment	-	-	171	-	-	-	**171**
Deferred tax on share based payment	-	-	508	-	-	-	**508**
Equity dividends paid	-	-	(60,068)	-	-	-	**(60,068)**
Purchase of own shares	-	-	-	-	-	(1,176)	**(1,176)**
Issue of own shares held on exercise of share options	-	698	(1,454)	-	-	2,424	**1,668**
Issue of share capital on exercise of share options	28	5,826	(1,637)	-	-	-	**4,217**
At 31 December 2019	**4,093**	**7,441**	**822,321**	**(369,119)**	**-**	**(435)**	**464,301**
At 1 January 2018	**4,064**	**781**	**776,912**	**(369,119)**	**8,190**	**-**	**420,828**
Profit for the year	-	-	77,066	-	-	-	**77,066**
Other comprehensive income	-	-	23,535	-	(8,190)	-	**15,345**
Total comprehensive income for the year	**-**	**-**	**100,601**	**-**	**(8,190)**	**-**	**92,411**
Transactions with owners:							
Share based payments	-	-	1,773	-	-	-	**1,773**
Deferred tax on share based payment	-	-	(184)	-	-	-	**(184)**
Equity dividends paid	-	-	(65,031)	-	-	-	**(65,031)**
Purchase of own shares	-	-	-	-	-	(1,865)	**(1,865)**
Issue of own shares held on exercise of share options	-	-	(182)	-	-	182	**-**
Issue of share capital on exercise of share options	1	136	(38)	-	-	-	**99**
At 31 December 2018	**4,065**	**917**	**813,851**	**(369,119)**	**-**	**(1,683)**	**448,031**

CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31/12/2019	2018 Continuing operations	2018 Discontinued operations	Year ended 31/12/2018
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Cash generated from operations (Note 8)	92,077	95,009	(515)	94,494
Interest paid	(2,605)	(3,798)	(62)	(3,860)
Tax paid	(13,266)	(9,744)	(842)	(10,586)
Net cash inflow/(outflow) from operating activities	**76,206**	**81,467**	**(1,419)**	**80,048**
Cash flows from investing activities				
Purchase of property, plant and equipment	(38,797)	(31,196)	(1,909)	(33,105)
Purchase of intangible assets	-	(1,124)	-	(1,124)
Proceeds from sale of property plant and equipment	2,447	3,104	5	3,109
Proceeds from sale of property plant and equipment - exceptional	-	12,821	-	12,821
Proceeds from sale of intangible assets	475	-	-	-
Payment for acquisition of subsidiary undertaking, net of cash acquired	(13,219)	-	-	-
Disposal of subsidiary undertaking	-	-	75,841	75,841
Interest received	47	22	-	22
Net cash (outflow)/inflow from investing activities	**(49,047)**	**(16,373)**	**73,937**	**57,564**
Cash flows from financing activities				
Dividends paid	(60,068)	(65,031)	-	(65,031)
Drawdown of borrowings	70,000	85,000	-	85,000
Repayment of borrowings	(50,417)	(149,583)	-	(149,583)
Lease payments	(8,263)	-	-	-
Proceeds from issuance of equity shares	5,824	137	-	137
Purchase of own shares by Employee Benefit Trust	(1,176)	(1,865)	-	(1,865)
Group transfers	-	74,251	(74,251)	-
Net cash outflow from financing activities	**(44,100)**	**(57,091)**	**(74,251)**	**(131,342)**
Net (decrease)/increase in cash and cash equivalents	**(16,941)**	**8,003**	**(1,733)**	**6,270**
Cash and cash equivalents at beginning of the year	36,048	28,437	3,053	31,490
Exchange gains/(losses) on cash and cash equivalents	387	(392)	85	(307)
Cash and cash equivalents on disposal of subsidiary undertaking	-	-	(1,405)	(1,405)
Cash and cash equivalents at end of the year	**19,494**	**36,048**	**-**	**36,048**

RECONCILIATION OF CHANGES IN CASH AND CASH EQUIVALENTS TO MOVEMENTS IN NET DEBT

	Year ended 31/12/2019	2018 Continuing operations	2018 Discontinued operations	Year ended 31/12/2018
	£'000	£'000	£'000	£'000
Net (decrease)/increase in cash and cash equivalents	(16,941)	8,003	(1,733)	6,270
Drawdown of borrowings	(70,000)	(85,000)	-	(85,000)
Repayment of borrowings	50,417	149,583	-	149,583
Non-cash debt movement	(332)	(482)	-	(482)
Effect of foreign exchange rate changes	387	(392)	85	(307)
Effect of disposal of subsidiary undertaking	-	-	(1,405)	(1,405)
Movement in net debt	**(36,469)**	**71,712**	**(3,053)**	**68,659**
Net debt at start of year	(48,382)	(120,094)	3,053	(117,041)
Net debt at end of year (Note 3)	**(84,851)**	**(48,382)**	**-**	**(48,382)**
Comprising:				
Cash and cash equivalents	19,494	36,048	-	36,048
Short-term borrowings	(395)	(548)	-	(548)
Long-term borrowings	(103,950)	(83,882)	-	(83,882)
	(84,851)	(48,382)	-	(48,382)

1. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Ibstock plc, which has a premium listing on the London Stock Exchange, for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 2 March 2020. The balance sheet was signed on behalf of the Board by J Hudson and C McLeish. Ibstock plc is a public company limited by shares, which is incorporated and registered in England. The registered office is Leicester Road, Ibstock, Leicestershire, LE67 6HS and the company registration number is 09760850.

2. BASIS OF PREPARATION

European law requires that the Group's consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRS'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board ('IASB') and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2019 but is derived from those accounts. Statutory accounts for 2019 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2018. The consolidated financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated. The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2019. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

The subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred; liabilities incurred to the former owners of the acquired business; equity interests issued by the group; fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange and included within other payables.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS).

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

The Group adopted IFRS 16 Leases from 1 January 2019, which resulted in the recognition of lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019.

The Group adopted the modified retrospective transition option upon application of IFRS 16, which does not result in the restatement of comparative figures for the year ended 31 December 2018. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised within the opening balance sheet on 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The accounting for operating leases with a remaining lease term of less than 12-months as at 1 January 2019 as short-term leases
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead for contracts entered into before the transition date, the Group has relied on its assessment made in applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease

(ii) Measurement of lease liabilities:

	£000
Operating lease commitments disclosed as at 31 December 2018	41,583
Discounted using the lessee's incremental borrowing rate as at the date of transition	35,233
Add finance lease liabilities recognised at 31 December 2018	1,739
Lease liability recognised at 1 January 2019	36,972
Of which, the following, are:	
Current lease liabilities	5,934
Non-current lease liabilities	31,038

(iii) Measurement of right-of-use assets
The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet at 1 January 2019:

	As previously reported	Impact of IFRS 16	As restated
	£000	£000	£000

Property, plant and equipment	365,478	(1,917)	363,561
Right-of-use assets	-	37,531	37,531
Prepayments and accrued income	4,227	(488)	3,739
Trade and other payables	(92,447)	1,846	(90,601)
Lease liabilities	-	(36,972)	(36,972)

There is no change in overall net assets as a result of the above identified changes.

Equipment under finance lease arrangements previously presented within 'Property, plant and equipment' of £1.9 million is now presented within the line item 'Right-of-use assets'. There has been no change in the amount recognised. The lease liability on leases previously classified as finance leases under IAS 17 and previously presented within 'Trade and other payables' of £1.7 million is now presented in the line 'Lease liabilities'. There has been no change in the liability recognised.

Going concern

The Group regularly reviews market and financial forecasts, and has reviewed its trading prospects in its key markets. As a result, it believes its trading performance and liquidity will remain strong. The Board has reviewed the latest forecasts of the Group and considered the obligations of the financing arrangements. Given the continued strong liquidity of the Group the Board has concluded that the going concern basis of accounting of its financial statements is appropriate for a period of at least 12 months from approval of the financial statements.

In considering the Group's going concern status, management has modelled the impact of a financial downturn (including possible outcomes of Brexit) and has concluded that there will be no material impact of the Group's ability to continue as a going concern.

3. ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are disclosed within the consolidated financial statements where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. APMs are reported for continuing operations. Management uses APMs in its own assessment of the Group's performance and in order to plan. 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. Changes to our net debt to adjusted EBITDA ratio APM definition resulting from the implementation of the new lease accounting standard, and to our cash flow APMs following the completion of major capital projects are described below.

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 years and to assess trends in financial 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. 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 consolidated statement of comprehensive income within the consolidated financial statements. Due to the implementation of IFRS 16, comparative figures for Adjusted EBITDA are not directly comparable with the figures for the current year. The impact of this change is set out below:

	Year ended 31 December 2019	**Year ended 31 December 2019**	**Year ended 31 December 2019**	Year ended 31 December 2018
	Pre-IFRS 16	**Impact of IFRS 16**	**As reported**	
	£'000	£'000	£'000	£'000
Adjusted EBITDA	**115,144**	**7,121**	**122,265**	**112,371**
Exceptional items	(2,833)	-	(2,833)	8,025
Depreciation and amortisation	(28,938)	(6,471)	(35,409)	(24,405)
Operating profit	83,373	650	84,023	95,991

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). 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 (as defined above). In the current period, the net debt to Adjusted EBITDA ratio definition removed the benefit of IFRS 16 within adjusted EBITDA to align the definition with the Group's banking facility covenant definition. The Directors disclosed the net debt APM to provide information as a useful measure for assessing the Group's borrowings' management. A full reconciliation of net debt is included at the foot of the Group's Consolidated Cash Flow Statement. The net debt to adjusted EBITDA ratio APM is calculated as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	£'000	**£'000**
Net debt	(84,851)	(48,382)
Adjusted EBITDA	122,265	112,371
Impact of IFRS 16	(7,121)	-
Adjusted EBITDA prior to IFRS 16	115,144	112,371
Ratio of net debt to Adjusted EBITDA	0.7x	0.4x

Return on capital employed

Return on capital employed (ROCE) is defined as earnings before interest and taxation adjusted for exceptional items as a proportion of the average capital employed (defined as net debt plus equity excluding the pension deficit/surplus). The average is calculated using the period end balance and corresponding preceding reported balance (year end or interim). The Directors disclose the ROCE APM in order to provide an indication of the relative efficiency of capital use by the Group over the year. The calculation of ROCE together with a reconciliation to the measure prior to the application of IFRS 16 is set out below:

	Year ended 31 December 2019 pre-IFRS 16	**Year ended 31 December 2019 Impact of IFRS 16**	**Year ended 31 December 2019 as reported**	Year ended 31 December 2018
	£'000	**£'000**	**£'000**	**£'000**
Adjusted EBITDA	**115,144**	**7,121**	**122,265**	112,371
Less depreciation	**(22,528)**	**(6,471)**	**(28,999)**	(18,249)
Less amortisation	**(6,410)**	-	**(6,410)**	(6,156)
Adjusted earnings before interest and taxation	**86,206**	**650**	**86,856**	87,966
Average net debt	**73,416**	-	**73,416**	94,411
Average equity	**466,957**	-	**466,957**	409,333
Average pension	**(89,626)**	-	**(89,626)**	(75,838)
Average capital employed	**450,747**	-	**450,747**	427,906
ROCE	**19.1%**	-	**19.3%**	20.6%

Adjusted operating cash flow

Adjusted operating cash flows are the cash flows arising from operating activities adjusted for exceptional items. In the year ending 31 December 2019, the measure has been extended to include cash outflows resulting from lease payments. The Directors use this APM to allow shareholders to understand better elements of the Group's cash flow management performance in the period, so as to facilitate comparison with future years and to assess trends in financial performance. The adjusted operating cash flow APM is included in Table 2 of the Chief Financial Officer's report.

Cash conversion

Cash conversion is the ratio of Adjusted operating cash flow (defined above) to Adjusted EBITDA. The Directors believe this APM provides a useful measure of the Group's effectiveness of its cash resources during the period. In the current year, the definition has been amended to take account of the completion of the Group's major capital expenditure projects. In the absence of major capital expenditure in the current year, this heading has been omitted and prior year comparative figures have been restated accordingly. Total capital expenditure has been included instead within the Adjusted free cash flow APM (see below). Cash conversion is set out in Table 2 of the Chief Financial Officer's report.

Adjusted free cash flow

Adjusted free cash flow 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. The definition of Adjusted free cash flow has been amended in the year to simplify the calculation. A reconciliation of adjusted free cash flow is set out in Table 2 of the Chief Financial Officer's report

Following the completion of the Group's major capital expenditure projects in 2018, the Directors have removed the APM of 'Capital expenditure before major capex', as they no longer utilise this measure to monitor performance. Accordingly, total capital expenditure has been used in place of this APM.

4. SEGMENT REPORTING

In prior periods, the Directors considered the UK and US operations of the Group to represent the reportable segments. Following the disposal of the Group's entire US operations on 23 November 2018, the Directors reassessed the Group's reportable segments as UK Clay and UK Concrete. Results for the year ended 31 December 2018 have been restated to reflect the UK Clay and UK Concrete reportable segments accordingly.

The key Group performance measure is Adjusted EBITDA, as detailed below, which is defined in Note 3. The tables, below, present revenue and Adjusted EBITDA for the Group's operating segments.

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

	Year ended 31 December 2019			
	UK Clay	UK Concrete	Unallocated & elimination	Total
	£'000	£'000	£'000	£'000
<u>**Continuing operations**</u>				
Total revenue	**300,470**	**108,787**	**-**	**409,257**
Adjusted EBITDA	**106,717**	**21,942**	**(6,394)**	**122,265**
Exceptional items (see Note 5)	(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 tax	**78,921**	**11,309**	**(8,239)**	**81,991**
Taxation				(15,516)
Profit for the year from continuing operations				**66,475**
<u>**Discontinued operations**</u>				
Loss for the year from discontinued operations, net of tax				(383)
Profit for the year				**66,092**
Consolidated total assets	548,731	142,243	80,105	771,079
Consolidated total liabilities	(140,059)	(46,312)	(120,407)	(306,778)

Non-current assets				
Consolidated total intangible assets	60,284	42,310	-	102,594
Property, plant and equipment	339,089	47,166	-	386,255
Right of use assets	19,388	10,574	517	30,479
Total	**418,761**	**100,050**	**517**	**519,328**
Total non-current asset additions (excluding business combinations)	41,577	7,304	92	48,973

Included within the revenue of our Clay operations during the year ended 31 December 2019 were £2.2 million of bill and hold transactions. At 31 December 2019, all inventory relating to these sales, remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share-based payments and associated taxes (£0.8 million), plc Board and other plc employment costs (£4.2 million), pension costs (£0.7 million) and legal expenses associated with the listed business (£2.3 million). These costs have been offset by the research and development taxation credits (£1.7 million). During the current year, one customer accounted for greater than 10% of Group revenues with £42.4 million from the Clay segment and £0.6 million from the Concrete segment.

	Year ended 31 December 2018 (restated)			
	UK Clay	UK Concrete	Unallocated & Eliminations	Total
	£'000	£'000	£'000	£'000
Continuing operations				
Total revenue from external customers	**293,449**	**97,953**	**-**	**391,402**
Adjusted EBITDA	**96,748**	**20,612**	**(4,989)**	**112,371**
Exceptional items (see Note 5)	9,390	(266)	(1,099)	8,025
Depreciation and amortisation pre fair value uplift	(12,652)	(3,197)	-	(15,849)
Incremental depreciation and amortisation following fair value uplift	(5,152)	(3,404)	-	(8,556)
Net finance costs	(155)	(46)	(3,274)	(3,475)
Profit/(loss) before tax	**88,179**	**13,699**	**(9,362)**	**92,516**
Taxation				(16,102)
Profit for the year from continuing operations				**76,414**
Profit for the year from discontinued operations, net of tax				652
Profit for the year				**77,066**
Total assets	508,076	126,607	72,294	706,977
Assets relating to discontinued operations				-
Consolidated total assets				**706,977**
Total liabilities	(120,656)	(33,576)	(104,714)	(258,946)
Liabilities relating to discontinued operations				-
Consolidated total liabilities				**(258,946)**
Non-current assets				
Intangible assets	64,040	36,547	-	100,587
Intangible assets relating to discontinued operations				-
Consolidated total intangible assets				**100,587**
Property, plant and equipment	321,327	44,151	-	365,478

Property, plant and equipment relating to discontinued operations				-
Consolidated total property, plant and equipment				**365,478**
Total	**385,367**	**80,698**	-	**466,065**
Non-current asset additions				
Continuing operations	27,992	5,674	-	33,666
Discontinuing operations				1,621
Total non-current asset additions				**35,287**

In the prior year, included within the revenue of our Clay operations were £6.6 million of bill and hold transactions. At 31 December 2018, inventory relating to sales of £4.3 million remained on the Group's premises. The unallocated segment balance includes the fair value of the Group's share-based payments and associated taxes (£1.8 million), plc Board and other plc employment costs (£3.8 million), pension costs (£0.8 million) and legal expenses associated with the listed business (£1.1 million). These costs have been offset by the research and development taxation credits (£2.5 million). No customer accounted for greater than 10% of the Group's revenue in the prior year.

Prior year figures have been restated following the changes to operating segments in the current year. In the year ended 31 December 2018, revenue of the discontinued operations was £79.7 million.

5. EXCEPTIONAL ITEMS

	Year ended 31 December 2019	Year ended 31 December 2018
Continuing operations	**£'000**	£'000
Exceptional administrative expenses:		
Pension related expenses		
Pension closure costs - legal and actuarial costs	**(737)**	(506)
Exceptional GMP equalisation costs	**-**	(1,500)
	(737)	(2,006)
Acquisition of subsidiary undertaking - legal costs	**(179)**	-
Release of provision for contingent consideration	**-**	1,892
Exceptional Corporate costs	**(37)**	(985)
Exceptional restructuring costs	**(1,880)**	(348)
Total exceptional administrative expenses	**(2,833)**	(1,447)
Exceptional profit on disposal of property plant and equipment	**-**	9,472
Exceptional items impacting EBITDA	**(2,833)**	**8,025**
Exceptional items relating to continuing operations	**(2,833)**	8,025
Exceptional items relating to discontinued operations	**(383)**	(2,576)
Total exceptional items	**(3,216)**	**5,449**

Included within the current year are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the current year include costs associated with the pension data cleansing exercise completed as part of the Group's pension de-risking exercise, which followed the closure of the scheme to future accrual from 1 February 2017.

All exceptional pension costs have been assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

Legal costs associated with the acquisition of Longley Concrete in July 2019 have been treated as exceptional on the basis of the infrequent nature of the event giving rise to these costs.

Exceptional corporate costs in the current year relate to the duplication of Chief Financial Officer's expenses in the current year, which was categorised as exceptional on the basis of the non-recurring nature of the event giving rise to the costs.

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

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

2018

Included within the prior year are the following exceptional items:

Exceptional administration expenses

Pension related costs which arose in the prior year include residual professional advisor fees associated with the closure of the Group's UK defined benefit pension scheme, which took place in the year ended 31 December 2016, and costs associated with the pension data cleansing exercise taking place as part of the Group's pension de-risking exercise. Additionally, in the prior year, costs relating to past service costs associated with the Guaranteed Minimum Pension equalisation have been classified as exceptional. All exceptional pension costs have been assessed as exceptional due to the non-recurring nature of the event giving rise to the costs.

The release of a provision for contingent consideration of £1,892,000 arose in the prior period following the finalisation of negotiations relating to outstanding contingent consideration following the Group's disposal by CRH plc in February 2015. This exceptional credit has been classified as exceptional due to the original categorisation of the associated provision creation in order to ensure consistency in accounting.

Exceptional corporate costs in the prior year relate to the duplication of Chief Executive Officer's expenses in the current year, which was categorised as exceptional on the basis of the non-recurring nature of the event giving rise to the costs.

Exceptional restructuring costs were incurred following the Group's decision to combine the Group's concrete businesses under one management team, and were treated as exceptional due to the non-recurring nature of the event giving rise to the costs.

Exceptional profit on disposal of property, plant and equipment

The exceptional profit on disposal relates to the sale of the Group's surplus properties near Bristol and Keele, which occurred in the prior year. The profits on disposal have been categorised as exceptional due to the materiality of the amounts recorded.

Exceptional items relating to discontinued operations of £2,576,000 relate to the loss on disposal of the Group's US segment in the prior year. The amount has been categorised as exceptional due to the material and non-recurring nature of the disposal.

Tax on exceptional items

2019

The pension related expenses along with the corporate and restructuring costs are tax deductible.

The legal costs incurred on acquisition of the subsidiary undertaking are not tax deductible.

The expenses relating to discontinued operations are not tax deductible.

2018

The release of the provision for contingent consideration is non-taxable. The pension related expenses, corporate and restructuring costs are tax deductible.

The disposal of surplus properties during the current year gave rise to capital gains which are taxable.

The loss on disposal of the Group's US segment is tax exempt.

6. TAXATION

The Group recorded a taxation charge of £15.5 million (2018: £16.1 million) on Group pre-tax profits of £82.0 million (2018: £92.5 million), resulting in an effective tax rate ("ETR") of 18.9% (2018: 17.4%) compared to the standard rate of UK corporation tax of 19.0%. The prior year ETR benefited from a deferred tax credit reflecting the expected timing of the unwinding of the pension scheme surplus.

7. EARNINGS PER SHARE

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

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

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

	Year ended 31 December 2019 (000s)	Year ended 31 December 2018 (000s)
Basic weighted average number of ordinary shares	**408,367**	406,448
Effect of share incentive awards and options	**3,570**	3,021
Diluted weighted average number of ordinary shares	**411,937**	409,469

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

Adjusted earnings per share figures are calculated as the Basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest expenses. Adjustments are made net of the associated taxation impact at the Effective Tax Rate.

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

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing	Discontinued	**Total**	Continuing	Discontinued	Total
	£000	£000	**£000**	£000	£000	£000
Profit for the period attributable to the parent shareholders	**66,475**	**(383)**	**66,092**	76,414	652	77,066
Add back exceptional items (Note 5)	**2,833**	**383**	**3,216**	(8,025)	2,576	(5,449)
Add back tax expense/(credit) on exceptional items	**(536)**	-	**(536)**	1,396	(399)	997
Add fair value adjustments	**8,810**	-	**8,810**	8,556	606	9,162
Less tax credit on fair value adjustments	**(1,667)**	-	**(1,667)**	(1,489)	(187)	(1,676)
Less net non-cash interest	**(1,238)**	-	**(1,238)**	(301)	(61)	(362)
Add back tax expense on non-cash interest	**234**	-	**234**	52	14	66
Adjusted profit for the period attributable to the parent shareholders	**74,911**	-	**74,911**	76,603	3,201	79,804

	Year ended 31 December 2019			Year ended 31 December 2018		
	Continuing	Discontinued	**Total**	Continuing	Discontinued	Total 2018
	pence	pence	**pence**	pence	pence	pence
Basic EPS on profit for the year	**16.3**	**(0.1)**	**16.2**	18.8	0.2	19.0
Diluted EPS on profit for the year	**16.1**	**(0.1)**	**16.0**	18.6	0.2	18.8
Adjusted basic EPS on profit for the year	**18.3**	-	**18.3**	18.8	0.8	19.6
Adjusted diluted EPS on profit for the year	**18.2**	-	**18.2**	18.7	0.8	19.5

8. NOTES TO THE GROUP CASHFLOW STATEMENT

	Year ended 31 December 2019	Continuing operations	Discontinued operations	Year ended 31 December 2018
Cash flows from operating activities	**£'000**	£'000	£'000	£'000
Profit before taxation	**81,608**	92,516	1,801	94,317
Adjustments for:				
Depreciation	**28,999**	18,249	4,310	22,559
Amortisation of intangible assets	**6,410**	6,156	250	6,406
Finance costs	**2,032**	3,475	-	3,475
Gain on disposal of property, plant and equipment	**(1, 773)**	(11,207)	(5)	(11,212)
Loss on disposal of subsidiary undertaking	**-**	-	2,576	2,576
Movement in contingent consideration	**-**	(1,892)	-	(1,892)
Research and development taxation credit	**(1,650)**	(2,500)	-	(2,500)
Share based payment	**704**	1,773	-	1,773
Post-employment benefits	**(677)**	(4,236)	(137)	(4,373)
Other	**199**	-	38	38
	115,852	102,334	8,833	111,167
Increase in inventory	**(16,092)**	(10,194)	(4,822)	(15,016)
Decrease/(increase) in debtors	**2,222**	(12,091)	(3,916)	(16,007)
(Decrease)/increase in creditors	**(8,942)**	16,587	(717)	15,870
Decrease in provisions	**(963)**	(1,627)	107	(1,520)
Cash generated from operations	92,077	95,009	(515)	94,494

Discontinued operations do not have material cash flows during the current period. The profit before taxation in 2019, above, includes profit before tax of £383,000 from discontinued operations.

9. POST EMPLOYMENT BENEFITS

The Group participates in the Ibstock Pension Scheme (the 'Scheme'), a defined benefit pension scheme in the UK. During the year ended 31 December 2019, the Scheme surplus of £80,705,000 has increased to a surplus of £88,656,000. Analysis of movements during the year ended 31 December 2019:

	£'000
Scheme surplus at 31 December 2018	**80,705**
Charge within labour costs and operating profit	(1,511)
Interest income	2,269
Remeasurement due to:	
Change in financial assumptions	(67,412)
Change in demographic assumptions	3,700
Experience gains	2,649
Return on plan assets	66,068
Company contributions	2,188
Scheme surplus at 31 December 2019	**88,656**

The improvement in the underlying balance sheet position over the period is primarily due to a combination of actuarial gains due to a change in assumptions, partially offset by lower than expected investment returns.

Key assumptions used at 31 December 2019:

Assumption	**31 December 2019**	31 December 2018

Discount rate	**2.00%**	2.80%
RPI inflation	**3.00%**	3.10%
CPI inflation	**2.00%**	2.10%

The Group participated in two multi-employer defined benefit pension schemes in the US up until the point of disposal of the US business. The liability recognised in respect of these schemes at 31 December 2018 was £Nil. No liability remains with the Group at 31 December 2019.

10. RELATED PARTY TRANSACTIONS

In the year ended 31 December 2019

There were no related party transactions during the year ended 31 December 2019 nor any balances with related parties.

In the year ended 31 December 2018

There were no related party transactions during the year ended 31 December 2018 nor any balances with related parties.

11. DIVIDENDS PAID AND PROPOSED

The directors are proposing a final dividend in respect of the financial year ended 31 December 2019 of 6.5 pence per ordinary share (2018: 6.5 pence) which will distribute an estimated £26.6 million (2018: £26.4 million) of shareholders' funds. It will be paid on 8 June 2020 to those shareholders who are on the register at 11 May 2020 subject to approval at the Group's Annual General Meeting.

12. POST BALANCE SHEET EVENTS

Except for the proposed dividend (see note 11), no further subsequent events requiring further disclosure or adjustments to these financial statements have been identified since the balance sheet date.

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

As the independent auditor of Ibstock PLC we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Ibstock PLC's preliminary announcement statement of annual results for the period ended 31 December 2019.

The preliminary statement of annual results for the period ended 31 December 2019 includes management commentary, the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, and notes. We are not required to agree to the publication of presentations to analysts.

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

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

Status of our audit of the financial statements

Our audit of the annual financial statements of Ibstock PLC is complete and we signed our auditor's report on 2 March 2020. Our auditor's report is not modified and contains no emphasis of matter paragraph.

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

Revenue recognition on bill and hold arrangements

Key audit matter description	The UK Clay component has recognised revenue from bill and hold arrangements in December 2019. There is a risk that revenue is recognised in respect of bill and hold arrangements prior to acceptance and risks transferring to the customer. Changes in bill and hold revenue could improve adjusted EBITDA, which is a key performance measure, and so we have therefore identified bill and hold sales as our key audit matter and potential fraud risk in revenue. Revenue includes £2.2 million (2018: £6.6 million) relating to bill and hold arrangements of which £2.2 million (2018: £4.2 million) relates to inventory remaining at UK Clay sites as at 31 December 2019. This amount includes product sales, where shipment to the customer has not happened as at the balance sheet date, but revenue has been recognised in the year ended 31 December 2019 due to the risks of ownership having passed to the customer.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls and around the revenue process and tested the relevant controls to address the key audit matter in the UK Clay component; • reviewed management's paper on bill and hold arrangements which explains the purpose of the arrangements; • selected a sample of bill and hold transactions and inspected the supporting documentation, including invoice terms to assess whether they meet the revenue recognition criteria in IFRS 15 Revenue from Contracts with Customers; • selected a sample of trade receivables relating to bill and hold revenue and traced to subsequent cash receipts; • agreed that the inventory is separately identifiable by observing the quarantine of the bill and hold inventory through photographic evidence and physical inspection; • reviewed the contracts between UK Clay and the customer to assess whether it is probable that delivery will be made and to confirm that the customer acknowledges delivery instructions; • performed a review of weekly sales for the UK Clay and the UK Concrete components to identify any unusual trends that might indicate additional bill and hold revenue not previously disclosed to us; and

	• performed a retrospective review of bill and hold arrangements from 2018 to assess whether the inventory was delivered in the agreed timeframe and checked that there has been no subsequent refund of the bill and hold sales invoices previously paid on normal commercial terms.
Key observations	No issues have been noted in the procedures performed and we concluded that revenue was recognised in accordance with the accounting policy of the Group and IFRS 15 Revenue.

Inflation, discount rate and mortality assumptions used in defined benefit pension scheme valuations

Key audit matter description	The Group has a net defined benefit pension asset of £88.7 million (2018: £80.7 million) as at 31 December 2019. We consider inflation, discount rate and mortality assumptions used in the defined benefit pension scheme valuation a key audit matter due to the sensitivity of the liability balance to changes in these inputs. Judgements made in valuing the defined benefit pension scheme liabilities can have a significant impact on the valuation of the liability.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter: • obtained an understanding of the relevant controls over the inputs adopted to calculate the defined benefit pension liability; • assessed the appropriateness of the inflation, discount rate and mortality assumptions used in respect of the UK scheme by comparing rates adopted by Ibstock plc for the year ended 31 December 2019 against our expectation determined by internal benchmarks and comparator schemes; and • considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit scheme liabilities to changes in these key assumptions.
Key observations	No issues have been noted in the procedures performed and we concluded that that the key assumptions applied in respect of the valuation of the defined benefit pension scheme liabilities are in the middle of our reasonable range.

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

Procedures performed to agree to the preliminary announcement of annual results

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

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

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

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

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

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

- the use, relevance and reliability of APMs has been explained;

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

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

Use of our report

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

Jonathan Dodworth (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

2 March 2020