Ibstock PLC - final results
Released 6 March 2018

Ibstock plc
Results for the year ended 31 December 2017

Strong financial performance while investing in new capacity.

Further detail provided on capital allocation policy.

Ibstock plc ('Ibstock' or the 'Group'), a leading manufacturer of clay bricks and concrete products with operations in the United Kingdom and the United States, announces its preliminary results for the year ended 31 December 2017.

Results for the year:

Year ended 31 December	*2017*	*2016*	*Change*
Revenue	£451.6m	£434.7m	+3.9%
Adjusted EBITDA[1]	£119.6m	£111.6m	+7.1%
Adjusted profit before tax[1]	£88.3m	£78.8m	+12.1%
Profit before tax[2]	£83.4m	£110.9m	(24.7%)
Statutory basic EPS	18.1 pence	22.3 pence	(18.8%)
Adjusted basic EPS[1]	21.4 pence	18.1 pence	+18.4%
Final dividend	6.5 pence	5.3 pence	+22.6%
Total dividend	9.1 pence	7.7 pence	+18.1%

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

2 – The comparative statutory performance is impacted by the non-cash £30.3m credit in relation to the Group's pension scheme closure.

Financial Highlights:

- Strong growth in revenue and adjusted EBITDA in line with management's expectations
- Net debt[1] to EBITDA at 1.0x
- Continued strong underlying cash conversion[1]
- Successful refinance of debt in March 2017
- Final dividend of 6.5 pence per share (2016: 5.3 pence per share) making the 2017 full year dividend 9.1 pence per share (2016: 7.7 pence per share)
- Announcement of the Group's supplementary dividend policy

Operational Highlights

- Ibstock Brick benefitting from good activity levels within the UK new build housing sector with brick volumes ahead year-on-year supported by stock reductions
- Continued growth in UK Concrete
- Investment in additional UK brick capacity to meet demand
  - New 100m capacity brick plant in Leicestershire commenced commissioning in Q4 2017 and will expand the Group's UK brick capacity by c.13% when in full production in FY2019

- Replacement of the brick kiln at the Lodge Lane blue brick plant in Cannock on schedule, with commissioning well advanced

- New roof tile project at Forticrete now completed with good demand take-up from major housebuilders

- US performance down year-on-year with a slowdown evident from the Spring continuing through the second half of 2017

- Joe Hudson joined the Group as CEO Designate in January 2018 and will take up the CEO post as part of an orderly succession process

Wayne Sheppard, Chief Executive Officer of Ibstock plc, commented:

"2017 presented many challenges to the Group but we performed strongly during the year, delivering profits and cash generation in line with management's expectations.

"For Ibstock in the UK it was a busy and important period of development – our past decisions to invest in additional brick and roof tile capacity, having recognised the strong fundamentals supporting UK new housing growth, have been well timed as these projects enter production phase. We began 2018 with new capacity in place at a time when it is clearly much needed to support strong market demand.

"In addition, recognising our robust balance sheet and strong cash generation we are pleased to provide further detail on our capital allocation strategy to shareholders with the introduction of a supplementary dividend policy, with the first such payment currently expected to be confirmed at the interim results in August.

"Customer demand in our UK clay and concrete markets remains encouraging and while we remain mindful of the uncertainties in the UK economy, we expect another year of progress for the Group."

Results presentation

Ibstock is holding a presentation to analysts at 09:00 today at the offices of UBS
5 Broadgate, London, EC2M 2AN. 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://edge.media-server.com/m6/p/pzt55nvz**

Conference Call Dial-In Details: 0808 109 0700

Standard International Access: +44 (0) 20 3003 2666

Password: Ibstock

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

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Enquiries

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Notes to Editors:

Ibstock plc is a leading manufacturer of clay bricks, with a diversified range of clay and concrete products, and operations in the United Kingdom and the United States. 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 four primary businesses are:

- **UK business:**
  - **Ibstock Brick:** The leading manufacturer by volume of clay bricks sold in the United Kingdom. With 19 manufacturing plants Ibstock Brick has the largest brick production capacity in the United Kingdom. It operates a network of 23 active quarries which are generally located close to its manufacturing plants. Ibstock Brick is currently commissioning a new soft mud brick manufacturing plant in Leicestershire that has been designed to add approximately 100 million bricks (c13%) to its brick production capacity per annum. The new plant is expected to be fully commissioned towards the end of 2018.
  - **Supreme:** A leading manufacturer of concrete fencing products and concrete lintels and general concrete building products, with seven manufacturing plants in the United Kingdom.
  - **Forticrete:** A leading manufacturer of concrete substitutes for natural stone walling and dressings and niche concrete roof tiles, with seven manufacturing plants in the United Kingdom.
- **US business:**
  - **Glen-Gery:** A leading manufacturer of bricks by volume of despatches in the North-East and Mid-West regions of the United States, with a network of ten manufacturing plants, ten distribution centres and 29 active quarries, covered by 20 active quarry permits.

Ibstock PLC - final results

Released 6 March 2018

Chief Executive's review

Introduction

Having announced my intention to retire in 2018, it is with mixed emotions that I write my last CEO year end results statement. I am, however, delighted to be able to report significant headway in each area of the Group's strategy during 2017, continuing the strong progress made since the business listed in October 2015.

2017 presented many challenges to the Group; however we performed strongly during the year, delivering profits and cash generation in line with management's expectations. Group revenue increased by 4% to £452 million (2016: £435 million) and Group adjusted EBITDA increased by 7% to £120 million (2016: £112 million). A slightly weaker US performance was offset by a stronger performance in UK, driven by improved year-on-year results in both clay and concrete. The Group's statutory results are discussed in the Chief Financial Officers' Report.

United Kingdom

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Revenue	**363**	**344**
Adjusted EBITDA	**111**	**103**
Adjusted EBITDA margin	**30.5%**	**29.8%**

Despite the uncertainties arising from the Referendum in 2016, we entered the year with a plan to sell slightly more than in the previous year – our more positive view of our markets supported by customer advice on prospective build volumes. As we moved into the Spring, it became clear that our markets had shrugged-off Brexit - economic forecasters had been overly pessimistic - and our volumes were progressing strongly into the new build sector in particular. We increased our production plans to maximum output from the already high utilisation rates to meet this demand. Our repair, maintenance and improvement ("RMI") markets, served principally by Ibstock Brick and Supreme Concrete, remained stable.

During the summer months demand remained robust and new build products, such as bricks and roof tiles, moved onto waiting times. With demand exceeding supply during this period, some customers did not receive the volumes they wanted when they needed it. Consequently, I am very pleased that we still managed to record a small improvement in our overall Net Promoter Score this year.

Due to high demand, brick imports increased strongly as the year progressed, reaching over 300 million bricks for the year across the UK market. UK manufacturers sold approximately 2 billion bricks, although circa 0.16 billion of this was supplied from existing stocks. In summary, the UK market consumed circa 2.4 billion bricks and UK manufacturers manufactured less than 1.9 billion, leaving a deficit of circa 0.5 billion bricks that was filled through manufacturer destocking and imports.

With this market situation, Ibstock's decision to build a new brick factory in Leicestershire providing 100 million bricks of additional supply to the UK market has proven to be a good one. The new factory started making bricks in December 2017 and the first bricks from the plant will be sold to customers during early 2018. As the plant is commissioned, production efficiency will increase during 2018, and, as planned, we expect the plant to average about half capacity over the current year and for 2019 to be the first year at full output. Customers are pleased that this new capacity is coming to market particularly as this is soft mud product where the shortage of UK supply is at its most acute. The new factory has been designed to be able to manufacture bricks in a wide range of styles and thus meet almost all customer specifications.

Increased new build housing volumes have also increased the demand for roof tiles and industry demand is often in excess of capacity across the course of a year. Ibstock's investment in new additional roof tile capacity for its Forticrete subsidiary has proven to be timely. As previously reported, Forticrete's new SL8 and PAN8 tiles are highly innovative and offer improved aesthetics and reduced laying cost to the customer. They have been well received by the market.

2017 was a commissioning year for the new roof tile plant and demand for these new products has often exceeded our growing capacity. Production efficiency levels improved as the year progressed and we reached expected long term production targets by year end. On this basis, we entered 2018 with the plant performing to expectation and providing product into a market showing strong demand growth. We will continue to seek to optimise output from our roofing business as 2018 progresses and further smaller investments to increase capacity, particularly for roofing accessories, are planned to support the growth of roof tile sales.

Forticrete also manufacturers reconstructed stone products that are sold into new build residential markets. Previous investments in walling stone at our Anstone plant and in cast stone at our Thornley plant have ensured that we have sufficient capacity to meet current demand.

To meet growing new housing demand, our Supreme subsidiary worked hard to improve manufacturing efficiency in the production of concrete lintels and floor beams during the year and this supported good sales growth. RMI markets for fencing and general concrete products were reasonably stable and we enjoyed a solid year.

Supreme also installed its first new fully automated concrete casting machine to manufacture fence posts, gravel board and rail products. This innovation has taken several years to develop and bring to fruition; however it offers improved operational efficiencies over current standard production methods and eliminates the health and safety risks associated with manual handling of product.

For Ibstock in the UK, 2017 was a busy and very important year of development for the Group – our past decisions to invest in additional capacity, having recognised the strong fundamentals supporting UK new housing growth, look to have been correct as they enter production phase. We began 2018 with new capacity at a time when it is clearly much needed to support strong market demand.

United States

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Revenue	**89**	**91**
Adjusted EBITDA	**12**	**13**
Adjusted EBITDA margin	**13.1%**	**13.8%**

Revenue in the US was down 2% (6% in constant exchange rates) for the full year compared to 2016, principally reflecting a more competitive new build residential market and a less favourable product mix.

In the second half of 2017, forecasters were still expecting both residential and non-residential markets in the North-East and Mid-West to have been flat to slightly positive overall for the year. However, brick industry data for our primary markets actually shows that brick demand declined slightly across all our end use markets through this period. Our experience was one of tougher markets in 2017.

Specifically, residential markets were very competitive in the Mid-West where we stood firm on our pricing with a resultant impact on volume. We also experienced a decline in the number of non-residential end use projects and overall we believe we may have lost a little market share during 2017 as a result. Over recent years we believe our pricing has on average been ahead of the industry reflected in the strong profit improvement recorded in 2016.

Glen-Gery has worked to increase its relatively small exposure to the laminate stone and thin brick markets. During the year the manufactured stone product range was expanded with two new product lines and capacity to supply the "thin brick" market was increased. During 2017 management changes were made at senior level and a new and highly experienced President joined the business in the latter part of the year. With the benefits of initiatives taken in 2017 beginning to be seen and a new President in post we look to recover our market share position in 2018 albeit against challenging market conditions.

Strategy
The Group's strategy is unchanged and we continue to develop and invest in our leading building products businesses. In addition to the progress made with our major investment projects, noted above, we continue to evaluate opportunities for value-creating organic or acquisitive investments that would improve our existing business or broaden our portfolio.

CEO succession
I am delighted that Joe Hudson joined Ibstock in early 2018 as CEO designate. Joe has very relevant experience in building materials, most recently with Lafarge Holcim where he was responsible for their UK cement, Bradstone paving and concrete block businesses. With experience of manufacturing with high capital cost plant and the sale of aesthetic masonry and commodity concrete building products, he is ideally experienced to be the next CEO of Ibstock plc. As part of an orderly succession, I am handing over to Joe and when this has been achieved, I will step down from the Board.

Current trading and outlook
The fundamentals of a housing shortage and strong Government commitment to increase housebuilding volumes remain robust and strongly support our UK businesses. During 2017, UK brick demand exceeded supply, manufacturers destocked and import levels increased. Consequently the investments we have made to increase capacity in both brick and roof tiles have been well-timed and our customers value this additional capacity. We therefore expect a margin improvement of 1-2 percentage points for our UK brick business in 2018.

In the US, our Glen-Gery brick business continues to hold a leading position in the Mid-West and North-East markets. Whilst brick demand in 2017 declined slightly in our primary markets, we believe that Glen-Gery with its excellent customer relationships, broad product range and reputation for quality and service is in a good place to benefit from any future improvements in the brick market. With a new President in place and a small but growing presence in the residential laminate stone market, we expect our US business to be stable against backdrop of uncertain market conditions.

Customer demand in our UK clay and concrete markets remains encouraging, with the full benefit of the investments we have made still to come and while we remain mindful of the uncertainties of the UK economy, we expect another year of progress for the Group.

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Supported by strong market fundamentals, Ibstock continues to follow a growth strategy underpinned by organic growth opportunities in UK clay and concrete products. We continue to look for value-enhancing acquisitions, particularly those that provide new platforms for growth and enhance our portfolio of principally residential building products. In the US, the brick industry continues to operate at low levels of capacity utilisation resulting in lower returns than we enjoy in the UK. Against this backdrop, we continue to consider all options and opportunities for our business.

We will shortly complete our CEO succession plan with the business in a good position. Profit performance and cash generation are strong and continue to improve. Debt levels are at 1x adjusted EBITDA after the substantial investments made since our IPO - the full benefits of which are still to come. The UK pension scheme has been well managed and this has allowed the Company to enter into discussions with the Trustees to accelerate the de-risking strategy already in place. Importantly, we have a highly experienced Group Executive Committee to provide continuity, manage the business, provide succession and support my successor.

We have a clear strategy and have outlined our capital allocation priorities, which are set out in the CFO's Report. Given our robust balance sheet and strong cash generation, in the absence of any significant value enhancing acquisitions and with continuing supportive markets, the Board currently expects to declare a supplementary dividend alongside the interim dividend in 2018.

Finally, I should like to thank all of my Ibstock colleagues for their hard work and commitment over many years that has been so instrumental in the Group's strong performance. It has been a pleasure to work with them all and I will miss them greatly. With their undoubted continued support for my successor, the further progression of the strategy we have deployed and with the investments we have made, we have every reason to look to the future with confidence.

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

Ibstock PLC - final results

Released 6 March 2018

Chief Financial Officer's report

Group results

Group revenue in the year ended 31 December 2017 saw an increase of 3.9% to £451.6 million (2016: £434.7 million). Growth in revenue was driven by the performance of our UK businesses, which saw increased trade with housebuilders and builders' merchants in 2017. On a constant currency basis[1], revenue growth was 3.0%. In addition, the construction phase of the Group's previously announced major investment projects drew to a conclusion during the year. We are now well-placed to benefit from the additional capacity available against a backdrop of continuing favourable market conditions.

Prior to exceptional costs (see below), profit before taxation was £88.3 million, representing growth of 12.1% on the prior year. Group statutory profit before taxation was £83.4 million (2016: £110.9 million) – a decrease of 24.7%. This decrease reflects the exceptional non-cash credit of £30.3 million in the prior year which arose on the closure of the UK defined benefit pension scheme and additional one-off non-cash finance costs (£6.4 million) which arose in 1H 2017 when the Group undertook a refinancing.

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 metrics used are consistent with those presented in our 2016 Annual Report & Accounts and there have been no changes to the bases of calculation.

Adjusted EBITDA

Management measure the Group's operating performance using Adjusted EBITDA, which increased by 7.1% to £119.6 million in the year ended 31 December 2017. The increase is driven by the Group's revenue growth in the UK. Input costs for the period were broadly in line with inflation at around 3%, the exception to this being energy which increased in both the UK and US by circa 16-18%. This significant increase was partially mitigated by the disposal of surplus carbon credits, which reduced this increase to circa 8%. We work with an external consultant throughout the year to manage our energy purchasing; and buy and sell these credits at opportune times.

Adjusted EBITDA also includes a benefit of £1.7 million relating to the effective management of Research and Development claims for 2015 and 2016 (2016: £ nil). Management anticipates that further claims will be achieved going forward. Our US operations saw previous headline infrastructure announcements fail to materialise during 2017. Combined with a highly competitive residential market in the regions in which Glen-Gery operates, we saw adjusted EBITDA reduce by 12.1% during 2017 in constant currency terms. Overall the US accounts for 10% of the Group adjusted EBITDA (2016: 11%).

Cash flow and net debt

Cash generated from operations during 2017 is shown in Table 1, below. Our cash generation was in line with our expectations and our operations remained strongly cash generative in the year ended 31 December 2017, with the Group's cash conversion maintained at 88%. Adjusted free cash flow increased markedly due to increased profitability and reduced expenditure on major capital projects during the year although this was mitigated to some extent by greater taxation payments during 2017. Taxation payments in the prior year were reduced due to tax relief on refinancing expense incurred in 2015.

A net working capital balance at 31 December 2017 of £48.2 million compares to £46.1 million at 31 December 2016. Despite inventory destocking within our UK Clay operations, the movement reflects increased inventory in our US operations and UK concrete products (particularly roof tiles) as management sought to build inventory levels towards the year end. Trade receivable levels year-on-year also increased due to the higher sales activity in 2017. These increases are offset to some extent by an increase in trade payables, which has arisen as a result of the increased activity in the final months of 2017.

Net debt[1] (borrowings less cash) of £117.0 million at 31 December 2017, compares to £132.8 million at the prior year end. In March 2017, the Group refinanced its debt arrangements and entered into a £250 million revolving credit facility (RCF) with a group of six major banks. The five-year facility contains interest cover and leverage covenant limits of 4x and 3x, respectively. These covenant requirements are consistent with our prior debt facility and the Group remains significantly within both limits.

Table 1 – Cash flow and net debt	2017 (£m)	2016 (£m)	Change (£m)
Adjusted EBITDA[1]	120	112	+8
Share-based payments	2	2	-
Capex before major projects	(15)	(15)	-
Change in working capital	(2)	(1)	(1)
Adjusted EBITDA – maintenance capex – change in WC	105	98	+7
Major project capex	(23)	(44)	+21

Adjusted cash flow from operating and investing activities	82	54	+28
Net interest	(4)	(5)	+1
Tax	(13)	(7)	(6)
Post-employment benefits	(6)	(4)	(2)
Adjusted free cash flow	59	38	+21
Cash conversion[4]	*88%*	*88%*	

Exchange rates
The Group is exposed to movements in exchange rates when translating the results of its US operations from US Dollars to UK Sterling. Sterling depreciated against the Dollar in the year to 31 December 2017, the average exchange rate of $1.28:£1 was below that of the equivalent period in 2016 ($1.35:£1) and has resulted in a £0.5 million benefit to Adjusted EBITDA in 2017.

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 non-cash interest expenses arising from our refinancing in March 2017 (see below) and the income statement credit of £1.7 million arising on the release of our provision for contingent consideration following Bain Capital's disposal of interests in the Group's shares, have been treated as exceptional in the current period. Further details of exceptional items are set out in Note 5 of the financial statements.

Finance costs
Net finance costs of £11.4 million were incurred in the year (2016: £3.1 million). As noted above, the single largest element of the current year charge was exceptional finance costs of £6.4 million. These non-cash interest charges, which were treated as exceptional, arose in the year in respect of accelerated debt issue fees (£3.3 million) and accounting adjustments caused by the prior year interest rate change (£3.1 million) – the latter equivalent to a non-cash gain from the prior year, which had been similarly presented as exceptional in the comparative disclosure.

Taxation
The Group recorded a taxation charge of £9.9 million (2016: £20.5 million) on Group pre-tax profits of £83.4 million (2016: £110.9 million) for the year ended 31 December 2017, resulting in an effective tax rate of 11.8% (2016: 18.5%). The impact of the reduction in the US federal tax rate on the Group's US deferred tax balance and the recognition of the tax benefit claimed in respect of the IPO transaction costs incurred during 2015 had a significant impact on the effective tax rate. Absent changes to the rates of deferred taxation, the Group's ETR would have been 16.7% and 21.3% in the current and prior year, respectively.

Earnings per share
Statutory basic EPS reduced by 19% to 18.1 pence in the year to 31 December 2017 (2016: 22.3 pence) as a result of the Group's reduced statutory profit after taxation which was boosted in the prior year by the £30.3 million credit arising on the Group's pension scheme closure, as discussed above. This had a 5.7 pence positive impact on the 2016 statutory EPS, which is not seen in the current year.

However, adjusted EPS[1] of 21.4 pence per share increased by 18% – in line with prior years, this metric removes the impact of exceptional non-trading items, the fair value uplifts resulting from our acquisition accounting and non-cash interest impacts (net of the related taxation charge/credit). Adjusted EPS is the Group's measure for calculating distributions to shareholders and 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 2 – Earnings per share	**2017**	**2016**
Statutory Basic EPS	18.1p	22.3p
Adjusted Basic EPS	21.4p	18.1p
Adjusted Basic EPS (removing impact of deferred taxation changes)	20.2p	17.5p

Dividend
A final dividend of 6.5 pence per ordinary share (2016: 5.3 pence) is being recommended for payment on 8 June 2018 to shareholders on the register at the close of business on 11 May 2018. This is in addition to our interim dividend paid in September 2017 of 2.6 pence per ordinary share (2016: 2.4 pence), resulting in a total dividend of 9.1 pence per ordinary share - 18.1% higher than the prior year (2016: 7.7 pence). This is in line with our dividend policy, which is based on a pay-out ratio of 40-50% of adjusted profit after taxation over a business cycle. In 2017, the Directors have selected a 42.5% pay-out ratio in determining the proposed dividend (2016: 42.5%).

Supplementary dividend policy
In light of the Group's strong adjusted free cash flow, the Board has reviewed its capital allocation strategy and whilst preserving the necessary flexibility to accommodate potential acquisition opportunities and consistent with its objective of maintaining a prudent balance sheet, has determined a supplementary dividend policy. This will assess the Group's capacity for supplementary dividends annually, in light of our reducing net debt to adjusted EBITDA multiple and, if declared, will be of a similar scale to the prior year final dividend and paid alongside the Group's interim dividend. Subject to market conditions and capital allocation priorities, the first supplementary dividend is expected to be announced in August 2018 for payment alongside the 2018 interim dividend.

Pensions
During 2016, the Group conducted a consultation with the UK defined benefit scheme members, regarding a proposal to close the scheme to future accrual for all active members. All members consented to this change and, from 1 February 2017, have joined the UK defined contribution scheme. This resulted in a £30.3 million non-cash credit, which was accounted for in our 2016 results.

At 31 December 2017, the defined benefit scheme was in an actuarial accounting surplus position of £46.1 million (31 December 2016: deficit of £28.7 million). At the year end, the scheme had asset levels of £659.4 million (31 December 2016: £683.6 million) against pension liabilities of £613.4 million (31 December 2016: £698.0 million). The improvement in the underlying balance sheet position over the period is primarily due to a combination of strong investment returns and actual inflation being lower than previously assumed. This was partially offset by a fall in corporate bond yields, which resulted in an increase in the value placed on the Scheme's benefit obligations.

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 ongoing work with the scheme Trustees to de-risk the pension and to match asset categories investment strategy with the associated liabilities. In the current year, in continuing to apply IFRIC 14, management has ceased to recognise an additional liability in respect of the minimum funding obligation following the receipt of legal advice regarding the Group's ability to access a surplus (should one exist) in the pension scheme in the future.

Within our US segment, certain employees are members of two multiemployer post-employment schemes. At 31 December 2017, a liability of £8.7 million (31 December 2016: £9.4 million) has been recognised in relation to these schemes.

Related party transactions
During the year, Bain Capital Partners LLC ceased to hold any ordinary shares in Ibstock plc and no longer has significant influence over the Group. There have been no other material related party transactions during the year ended 31 December 2017.

Subsequent events
With the exception of the final dividend noted above, there have been no further events subsequent to 31 December 2017, 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 generated by the business and the long-term funding in place. As noted above, the Group agreed new banking facilities during the year, with a five-year £250 million RCF replacing the five-year £200 million loan and £40 million committed RCF facility in place at 31 December 2016.

Additionally, the directors have performed a comprehensive assessment of the Group's viability as a business over a longer period and concluded that the Group reasonably expects to continue in operation and meet its liabilities as they fall due over that three-year timeframe.

Risks and uncertainties
The Board assesses and monitors the key risks impacting the business on an ongoing basis. The Group's activities expose it to a variety of risks; economic conditions, government action and policy, government regulation and standards relating to the manufacture and use of building products, customer relationships and reputation, business disruption, recruitment and retention of key personnel, input prices, product quality, financial risk management and pension obligations. The Group's risk management approach together with these principal risks and mitigating actions are set out on pages 34 to 36 of the 2016 Annual Report & Accounts.

Ibstock PLC - final results

Released 6 March 2018

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 2017; 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

Wayne Sheppard	Kevin Sims
Chief Executive Officer	Chief Financial Officer
5 March 2018	5 March 2018

Ibstock PLC - final results
Released 6 March 2018

Consolidated income statement

	Notes	**Year ended 31/12/2017**	Year ended 31/12/2016
		£'000	£'000
Revenue	4	451,583	434,687
Cost of sales before exceptional items		(283,745)	(268,554)
Gross profit before exceptional items		**167,838**	**166,133**
Exceptional cost of sales	5	-	(353)
Gross profit		**167,838**	**165,780**
Distribution costs		(38,344)	(36,523)
Administrative expenses before exceptional items		(41,542)	(47,258)
Other exceptional administrative items	5	1,529	(1,741)
Administrative expenses		**(40,013)**	**(48,999)**
Exceptional curtailment gain	5	-	30,317
Profit / (Loss) on disposal of property, plant and equipment		144	625
Other income		5,859	3,439
Other expenses		(691)	(693)
Operating profit		**94,793**	**113,946**
Finance costs before exceptional items		(5,713)	(7,657)
Exceptional finance costs	5	(6,386)	3,286
Finance costs		(12,099)	(4,371)
Finance income before exceptional items		732	764
Exceptional finance income	5	-	522
Finance income		732	1,286
Net finance cost		**(11,367)**	**(3,085)**
Profit before taxation		**83,426**	**110,861**
Taxation	6	(9,876)	(20,498)
Profit for the financial year		**73,550**	**90,363**
Profit attributable to:			
Owners of the parent		73,550	90,363

	Notes	£ pence	£ pence
Earnings per share			
Basic	7	18.1	22.3
Diluted	7	18.0	22.1

All amounts relate to continuing operations.

Ibstock PLC - final results
Released 6 March 2018

Consolidated statement of comprehensive income

	Notes	**Year ended 31/12/2017**	Year ended 31/12/2016
		£'000	£'000
Profit for the financial year		**73,550**	**90,363**
Other comprehensive income/(expense):			
Items that will not be reclassified to the profit or loss			
Remeasurement of post-employment benefit assets and obligations[1]		54,728	(66,896)
Remeasurement of post-employment benefits - surplus restriction[1]		14,223	(5,877)
Related tax movements[1]		(12,857)	14,061
		56,094	(58,712)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences[2]		(7,853)	14,946
		(7,853)	14,946
Other comprehensive expense for the year net of tax		48,241	(43,766)
Total comprehensive income for the year, net of tax		121,791	46,597
Total comprehensive income attributable to:			
Owners of the parent		121,791	46,597

1 Impacting retained earnings

2 Impacting the currency translation reserve

Non-GAAP measure
Reconciliation of Adjusted EBITDA to Operating profit for the financial year:

	Notes	**Year ended 31/12/2017**	Year ended 31/12/2016
Adjusted EBITDA		119,599	111,633
Add back exceptional items	5	1,529	28,223
Less depreciation and amortisation		(26,335)	(25,910)
Operating profit		94,793	113,946

These financial statements were approved by the board on 5 March 2018 and were signed on its behalf by:

W Sheppard
Director

K Sims
Director

Consolidated balance sheet

	Notes	**31 December 2017**	31 December 2016
		£'000	£'000
Assets			
Non-current assets			
Intangible assets		116,010	123,286
Property, plant and equipment		400,480	392,303
Deferred tax assets		1,412	1,560
Post-employment benefit asset	9	46,064	-
		563,966	517,149
Current assets			
Inventories		91,118	88,757
Trade and other receivables		53,416	52,148
Cash and cash equivalents		31,490	45,829
		176,024	186,734
Assets held for sale		4,853	1,203
Total assets		744,843	705,086
Current liabilities			
Trade and other payables		(85,342)	(80,220)
Borrowings		(551)	(13,044)
Current tax payable		(3,735)	(7,098)
Provisions		(350)	(462)
		(89,978)	(100,824)
Net current assets		90,899	87,113
Total assets less current liabilities		654,865	604,262
Non-current liabilities			
Borrowings		(147,980)	(165,556)
Post-employment benefit obligations	9	(8,735)	(38,074)
Deferred tax liabilities		(66,702)	(57,005)
Provisions		(10,620)	(14,170)
		(234,037)	(274,805)
Net assets		**420,828**	**329,457**
Equity			
Share capital		4,064	4,063
Share premium		781	-
Retained earnings		776,912	677,361
Merger reserve		(369,119)	(369,119)
Other reserves		-	1,109

Currency translation reserve	8,190	16,043
Total equity	**420,828**	**329,457**

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Merger reserve	Other reserves	Currency translation reserve	Total equity attributable to owners
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	**4,063**	**-**	**677,361**	**(369,119)**	**1,109**	**16,043**	**329,457**
Profit for the year	-	-	73,550	-	-	-	**73,550**
Other comprehensive income	-	-	56,094	-	-	(7,853)	**48,241**
Total comprehensive income for the year	**-**	**-**	**129,644**	**-**	**-**	**(7,853)**	**121,791**
Transactions with owners:							
Release of contingent consideration provision	-	-	1,109	-	(1,109)	-	**-**
Share based payments	-	-	1,279	-	-	-	**1,279**
Deferred tax on share based payment	-	-	354	-	-	-	**354**
Equity dividends paid	-	-	(32,098)	-	-	-	**(32,098)**
Issue of share capital on exercise of share options	1	781	(737)				**45**
At 31 December 2017	**4,064**	**781**	**776,912**	**(369,119)**	**-**	**8,190**	**420,828**
At 1 January 2016	**4,055**	**-**	**671,759**	**(369,119)**	**1,109**	**1,097**	**308,901**
Profit for the year	-	-	90,363	-	-	-	**90,363**
Other comprehensive income	-	-	(58,712)	-	-	14,946	**(43,766)**
Total comprehensive income for the year	**-**	**-**	**31,651**	**-**	**-**	**14,946**	**46,597**
Transactions with owners:							
Share based payments	-	-	1,526	-	-	-	**1,526**
Deferred tax on share based payment	-	-	48	-	-	-	**48**
Equity dividends paid	-	-	(27,615)	-	-	-	**(27,615)**
Issue of share capital	8	-	(8)				**-**
							-
At 31 December 2016	**4,063**	**-**	**677,361**	**(369,119)**	**1,109**	**16,043**	**329,457**

Consolidated cash flow statement

	Note	**Year ended 31/12/2017**	Year ended 31/12/2016
		£'000	£'000
Cash flow from operating activities			
Cash generated from operations	8	110,795	104,805
Interest paid		(3,705)	(4,588)
Tax paid		(13,226)	(6,957)
Net cash inflow from operating activities		93,864	93,260
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,829)	(59,151)
Purchase of intangible assets		(167)	(121)
Proceeds from sale of property plant and equipment		508	1,759
Net cash (outflow) from investing activities		(37,488)	(57,513)
Cash flows from financing activities			
Dividends paid	11	(32,098)	(27,615)
Drawdown of borrowings		180,000	-
Repayment of borrowings		(215,000)	(15,000)
Debt issue costs		(2,424)	-
Net cash (outflow)/inflow from financing activities		(69,522)	(42,615)
Net (decrease)/increase in cash and cash equivalents		(13,146)	(6,868)
Cash and cash equivalents at beginning of the year		45,829	51,024
Exchange (losses)/gains on cash and cash equivalents		(1,193)	1,673
Cash and cash equivalents at end of year		31,490	45,829

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

	Year ended 31/12/2017	Year ended 31/12/2016
	£'000	£'000
Net decrease in cash and cash equivalents	(13,146)	(6,868)
Proceeds from borrowings	(180,000)	-
Repayment of borrowings	215,000	15,000
Non-cash debt movement	(4,931)	2,155
Effect of foreign exchange rate changes	(1,193)	1,673
Movement in net debt	**15,730**	**11,960**
Net debt at start of year	(132,771)	(144,731)
Net debt at end of year	(117,041)	(132,771)
Comprising:		
Cash	31,490	45,829

ST borrowings	(551)	(13,044)
LT borrowings	(147,980)	(165,556)
	(117,041)	(132,771)

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 2017 were authorised for issue in accordance with a resolution of the Directors on 5 March 2018. The balance sheet was signed on behalf of the Board by W Sheppard and K Sims.

Ibstock plc is a public company limited by shares, which is incorporated and domiciled in England whose shares are publicly traded. 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 2017 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) 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 2017 but is derived from those accounts. Statutory accounts for 2017 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 2016.

The consolidated financial statements are presented in 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 and acquisition accounting

The consolidated financial statements comprise the financial statements of Ibstock plc and its subsidiaries as at 31 December 2017. 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.

Its 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Therefore, the financial statements include the results of the operating companies which were acquired by Figgs Topco Limited on 26 February 2015, from that date.

The acquisition method of accounting is used to account for business combinations by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill. If the consideration transferred is less than the fair value of the net assets acquired, negative goodwill arises and is recognised directly in the income statement.

An estimation of the fair value is made for contingent consideration in accordance with IFRS 3 at the time of a business combination. Where there is a contractual obligation to settle the liability in cash based on events within the Company's control this contingent consideration is accounted for as a credit to equity within other reserves and is not subsequently adjusted.

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 2017, 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, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities, and a new credit loss model for calculating impairment to financial assets. The standard is effective for accounting periods beginning on or after 1

January 2018, which is the year ending 31 December 2018 for the Group. Based on the work carried out to date the Group does not expect any material changes to its financial statements as a result of the standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, which is the year ending 31 December 2018 for the Group. The Group has completed an assessment of the impact of IFRS 15 and determined that the standard will have no material impact on the Group's financial reporting.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. On adoption, the Group will recognise a right of use asset and a lease liability based on the net present value of the payments required under each of its leases. The operating lease charge, currently recognised in EBITDA, will be replaced by the depreciation of the right of use asset and interest on the lease liability. As well as a change to the line items in the income statement, it is also expected to change the profile of the net charge recognised in the income statement over the lease term.

The Group continues to assess the full impact of IFRS 16, however, the impact will depend on the facts and circumstances at the point of adoption and upon the transition choices adopted.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and there are no current plans to early adopt any of the above mentioned standards.

3. ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures (APMs) are disclosed within the 2017 Annual Report and Accounts where management believes it is necessary to do so to provide further understanding of the financial performance of the Group. Management uses APMs in its own assessment of the Group's performance. 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 for the year, 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. A full reconciliation is included at the foot of the Group consolidated statement of comprehensive income within the financial statements.

Adjusted EPS
Adjusted EPS is the basic earnings per share adjusted for exceptional items, amortisation and depreciation on fair value uplifted assets and non-cash interest net of taxation (at the Group's effective tax rate). A full reconciliation is provided in Note 7.

Net debt
Net debt is defined as the sum of cash and total borrowings at the balance sheet date. Net debt to EBITDA is the ratio of net debt to Adjusted EBITDA (as defined above). Details of net debt are included in the Reconciliation of changes in cash and cash equivalents to movement in net debt.

Adjusted profit before tax
Adjusted profit before taxation is the statutory reported profit before taxation adjusted for the impact of exceptional items.

Cash conversion
Cash conversion is the ratio of Adjusted EBITDA after movements in working capital less maintenance capital expenditure and share based payments, to adjusted EBITDA. The calculation of the cash conversion ratio is set out within Table 1 of the Financial review.

Constant currency
Constant currency measures are used in management's description of performance within the Strategic Report. Where used, constant currency figures translate all amounts for our US segment using the average US dollar rate for the year ended 31 December 2016 (£1:$1.34574).

Cash flow before major capex
Cash flow before major capex is a key performance indicator of cash flow prior to capital expenditure on major projects. This represents adjusted EBITDA plus share-based payment costs less cash flow on maintenance capital expenditure and adjusted for changes in working capital. A reconciliation is provided in Table 1 of the Financial Review.

Adjusted free cash flow

Adjusted free cash flow represents cash flow before major projects (defined above) less expenditure on major projects and cash outflows for taxation, net interest costs and post-employment benefits.

4. SEGMENT REPORTING

The management team considers the reportable segments to be the UK and the US. The key Group performance measure is Adjusted EBITDA, as detailed below, which is profit before net finance cost, tax, exceptional items, depreciation and amortisation and other non-underlying items. Transactions between segments are carried out at arms' length. No aggregation of segments has been applied.

				Year ended 31 December 2017
	UK	US	Unallocated	Total
	£'000	£'000	£'000	£'000
Clay revenue	265,358	88,994	-	354,352
Concrete revenue	97,231	-	-	97,231
Total revenue from external customers	**362,589**	**88,994**	**-**	**451,583**
Adjusted EBITDA	**110,508**	**11,701**	**(2,610)**	**119,599**
Pension closure costs (see Note 5)	(211)	-	-	(211)
Release of provision for contingent consideration (see Note 5)	1,740	-	-	1,740
EBITDA after exceptional items	**112,037**	**11,701**	**(2,610)**	**121,128**
Depreciation and amortisation pre fair value uplift	(12,449)	(4,272)	-	(16,721)
Incremental depreciation and amortisation following fair value uplift	(8,556)	(1,058)	-	(9,614)
Net finance costs	(9,022)	(2,345)	-	(11,367)
Profit/(loss) before tax	**82,010**	**4,026**	**(2,610)**	**83,426**
Total assets	638,689	106,154	-	744,843
Total liabilities	(279,558)	(44,457)	-	(324,015)
Non-current assets				
Intangible assets	105,619	10,391	-	116,010
Property, plant and equipment	351,338	49,142	-	400,480
Total	**456,957**	**59,533**	**-**	**516,490**

The unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£1.6 million), plc Board costs (£1.6 million) and legal expenses associated with the listed business (£0.4 million). These costs have been offset by the research and development taxation credits of (£1.8 million).

				Year ended 31 December 2016
	UK	US	Unallocated	Total
	£'000	£'000	£'000	£'000
Clay revenue	253,592	90,539	-	344,131
Concrete revenue	90,556	-	-	90,556
Total revenue from external customers	**344,148**	**90,539**	**-**	**434,687**
Adjusted EBITDA	**102,954**	**12,751**	**(4,072)**	**111,633**
Pension closure costs	28,678	-	-	28,678
Acquisition costs	(102)	-	-	(102)
Exceptional cost of sales	(353)	-	-	(353)
EBITDA after exceptional items	131,177	12,751	(4,072)	139,856
Depreciation and amortisation pre fair value uplift	(12,401)	(4,055)	-	(16,456)
Incremental depreciation and amortisation following fair value uplift	(8,717)	(737)	-	(9,454)
Net finance costs	(3,183)	98	-	(3,085)
Profit/(loss) before tax	**106,876**	**8,057**	**(4,072)**	**110,861**

Total assets	**579,431**	**125,655**	**-**	**705,086**
Total liabilities	**(341,650)**	**(33,979)**	**-**	**(375,629)**
Non-current assets				
Intangible assets	111,810	11,476	-	123,286
Property, plant and equipment	337,843	54,460	-	392,303
Total	**449,653**	**65,936**	**-**	**515,589**

In the prior year, the unallocated segment balance includes the fair value of the Group's share based payments and associated taxes of (£2.0 million), plc Board costs (£1.4 million) and legal expenses associated with the listed business (£0.5 million).

5. EXCEPTIONAL ITEMS

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Exceptional costs of sales	-	(353)
Exceptional administrative expenses:		
Pension closure costs		
Legal and actuarial costs	(211)	(731)
Compensation payment	-	(908)
	(211)	(1,639)
Release of provision for contingent consideration	1,740	-
	1,740	-
Acquisition costs		
Transaction costs	-	(102)
	-	(102)
Total exceptional administrative expenses	1,529	(1,741)
Curtailment gain	-	30,317
	1,529	28,223
Exceptional finance income	-	522
Exceptional finance costs - acceleration of debt issue costs on September 2015 borrowings	(3,100)	-
Exceptional finance costs - reversing credit related to EIR accounting of September 2015 borrowings	(3,286)	3,286
	(6,386)	3,286
Total exceptional items	(4,857)	32,031

2017
Included within the current year are the following exceptional items:
Exceptional administration expenses
Pension closure costs which arose in the year ended 31 December 2017 represent 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.
The release of a provision for contingent consideration of £1,740,000 arose in the year following the disposal of all interests in the Group by Bain Capital LLC (see Note 10).
Exceptional finance costs
Exceptional finance costs arising in the current year resulted from the refinancing of the Group's loan in March 2017, representing £3,100,000 of accelerated loan deal fees and £3,286,000 of interest charges as a result of the effective interest method of accounting.

2016
Included within the prior year are the following exceptional items:
Exceptional cost of sales
Exceptional cost of sales in the prior year of £353,000 represent redundancy costs associated with restructuring the Group's operations in Ravenhead. Similar activities resulting in these costs are only expected to arise infrequently.
Pension closure costs
Professional advisor fees of £731,000, together with employee compensation payments of £908,000 were incurred in the prior year in relation to the closure of the Group's UK defined benefit pension scheme. Due to the non-recurring nature of the closure, these costs were treated as exceptional. A curtailment gain of £30,317,000 also arose in 2016 as a result of the Group's decision to close the UK defined benefit scheme to future accrual.
Transaction costs
Professional fees and other costs of £102,000 incurred in the prior year were classified as exceptional. These costs are directly attributable to acquisition activity arising in the year and were classified as exceptional due to their non-recurring nature.

Exceptional finance income
Exceptional finance income in the year ended 31 December 2016 resulted from gains made on foreign currency contracts around the date of the UK's EU Referendum. Similar gains are not expected to recur.

All exceptional items in the year ended 31 December 2016 were settled in cash, other than the compensation costs accrued at the balance sheet date and pension curtailment gain that is non-cash in nature based on actuarial valuation of the Group's UK defined benefit pension scheme as at 31 December 2016.

Tax on exceptional items
2017
The pension closure costs of £211,000 and the exceptional finance costs of £6,386,000 are tax deductible in full in the current year whilst the £1,740,000 release of contingent consideration is not taxable.

2016
Apart from the following items, exceptional items are taxable or deductible in full in the current year.

(i) The curtailment gain of £30,317,000 is not taxable in the current year. A deferred tax expense of £5,850,000 has been recognised in the year.

(ii) Administrative expenses include additional employer pension contributions of £265,000 arising from the closure of the Group's UK defined benefit pension scheme. These pension contributions are tax deductible on a paid basis and a deferred tax asset of £51,000 has therefore been recognised.

(iii) Administrative expenses include exceptional legal and professional fees of £102,000 which are not tax deductible.

6. TAXATION

Analysis of income tax charge

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax on profits for the year	**12,088**	17,958
Adjustments in respect of prior year	**(264)**	(266)
Total current tax	**11,824**	17,692
Deferred tax on profits for the year	**4,372**	5,584
Adjustment in respect of previously unrecognised tax losses	**-**	(185)
Impact of change in tax rate	**(4,071)**	(3,072)

Adjustments in respect of prior year	**(2,249)**	479
Total deferred tax	**(1,948)**	2,806
Income tax expense reported in the consolidated income statement	**9,876**	20,498
The total income tax expense comprises:		
UK	**13,135**	18,733
US	**(3,259)**	1,765
	9,876	20,498

The tax expense for the year differs from the applicable standard rate of corporation tax in the UK of 19.25% for the year ended 31 December 2017 (2016: 20%). The differences are explained below:

	Year ended 31 December 2017 £'000	**Percentage**	Year ended 31 December 2016 £'000	Percentage
Profit before tax	**83,426**	**100%**	110,861	100%
Profit before tax multiplied by the rate of corporation tax in the UK	**16,060**	**19.25%**	22,172	20.00%
Effects of:				
Expenses not deductible	**329**	**0.39%**	698	0.63%
Different effective tax rate on US current year earnings	**406**	**0.49%**	652	0.59%
Changes in estimates relating to prior years	**(2,513)**	**(3.01%)**	213	0.19%
Adjustment in respect of previously unrecognised tax losses	**-**	**-**	(185)	(0.17%)
Total tax charge before deferred tax rate change and exceptional items	**14,282**	**17.12%**	23,550	21.24%
Rate change on deferred tax provision - US	**(4,042)**	**(4.85%)**	-	-
Rate change on deferred tax provision - UK	**(29)**	**(0.03%)**	(3,072)	(2.77%)
Other income not taxable - exceptional items	**(335)**	**(0.40%)**	-	-
Other expenses not deductible - exceptional items	**-**	**-**	20	0.02%
Total taxation expense	**9,876**	**11.84%**	20,498	18.49%

The Group's effective tax rate has been significantly impacted by the following items:

(i) The enactment of the US Tax Cuts and Jobs Act on 22 December 2017 has resulted in a £4,042,000 reduction in the Group's US deferred tax assets and liabilities. This deferred tax benefit is reflected in the tax expense reported for the year as shown above. The reduction in the US corporate tax rate to 21% from 1 January 2018 does not materially impact the Group's future effective tax rate.

(ii) The tax expense for the year includes a credit of £2,113,000 relating to UK tax relief claimed but not previously recognised in respect of IPO transaction costs incurred in 2015.

The Group expects its effective tax rate in the future to be affected by the geographical mix of profits and the different tax rates that will apply to those profits, the outcome of any future tax audits as well as the impact of changes in tax law.

7. EARNINGS PER SHARE

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

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

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

	Year ended 31 December 2017 (000s)	Year ended 31 December 2016 (000s)
Basic weighted average number of shares	406,361	406,025
Effect of share incentive awards and options	2,321	2,671
Diluted weighted average number of shares	408,682	408,696

The calculation of adjusted earnings per share is 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. All adjustments are made net of the associated taxation impact at the Group's Effective Tax Rate.

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

	Notes	Year ended 31 December 2017 £000	Year ended 31 December 2016 £000
Profit for the year attributable to the parent shareholders		73,550	90,363
Add back exceptional items	5	4,857	(28,745)
Add back tax (credit)/expense on exceptional items		(575)	5,303
Add fair value adjustments		9,614	9,454
Less tax credit on fair value adjustments		(1,138)	(1,744)
Add back non-cash interest		903	(1,447)
Less back tax credit on non-cash interest		(107)	268
Adjusted profit for the year attributable to the parent shareholders		87,104	73,452

	Year ended 31 December 2017 Pence	Year ended 31 December 2016 Pence
Basic EPS on profit for the year	18.1	22.3
Diluted EPS on profit for the year	18.0	22.1
Adjusted basic EPS on profit for the year	21.4	18.1
Adjusted diluted EPS on profit for the year	21.3	18.2

8. NOTES TO THE GROUP CASH FLOW STATEMENT

	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from operating activities	£'000	£'000
Profit before taxation	83,426	110,861
Adjustments for:		
Depreciation of property, plant and equipment	19,859	19,356
Amortisation of intangible assets	6,476	6,555

Finance costs	11,367	3,085
(Gain)/loss on disposal of property, plant and equipment	(144)	(625)
Other	(115)	(1,054)
Movement in contingent consideration	(1,740)	-
Research and development taxation credit	(1,762)	-
Share based payment	1,279	1,526
Deferred income	-	(215)
Curtailment gain	-	(30,317)
Post-employment benefits	(6,118)	(3,676)
	112,528	105,496
(Increase) in inventory	(4,942)	(320)
(increase) in debtors	(2,319)	(309)
Increase/(decrease) in creditors	9,093	(101)
(Decrease)/increase in provisions	(3,565)	39
Cash generated from operations	110,795	104,805

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, the Scheme has moved from a deficit of £28,685,000 to a surplus of £46,064,000. Analysis of movements during the year ended 31 December 2017:

	31 December 2017 £'000
UK Scheme deficit at 31 December 2016	**(28,685)**
Pensions scheme operating costs	(1,887)
Interest costs	(308)
Remeasurement gain recognised in the statement of comprehensive income	54,728
Pension scheme surplus restriction recognised in the statement of comprehensive income	14,223
Contributions	7,993
UK Scheme surplus at 31 December 2017	**46,064**
US scheme obligation at 31 December 2017	**(8,735)**
Net Group pension surplus as at 13 December 2017	**37,329**

The improvement in the underlying balance sheet position over the year is primarily due to a combination of strong investment returns and actual inflation being lower than assumed. 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 2016. The assumptions have been updated based on market conditions at 30 June 2017:

Assumption	**31 December 2017**	31 December 2016
Discount rate	**2.45%**	2.80%
RPI inflation	**3.15%**	3.35%
CPI inflation	**2.15%**	2.35%

US multi-employer scheme
The Group also participates in two multi-employer defined benefit pension schemes in the US. The liability recognised in respect of these schemes at 31 December 2017 of £8,735,000 (31 December 2016: £9,389,000), which other than adjustment for exchange rate and discount rate movements in the year, remains largely unchanged since the prior year end.

10. RELATED PARTY TRANSACTIONS

In the year ended 31 December 2017:

On 9 March 2017, Diamond (BC) S.a.r.l (a wholly owned subsidiary of Bain Capital Partners LLC) announced the proposed placing of approximately 40,600,000 ordinary shares in the capital of Ibstock plc. On 10 March 2017, the Company announced that 48,600,000 ordinary shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC held ordinary shares representing approximately 25.0% of the entire issued share capital. On 25 April 2017, Diamond (BC) S.a.r.l announced the proposed placing of approximately 50,000,000 ordinary shares in the capital of Ibstock plc. On 26 April 2017, the Company announced that 101,600,000 ordinary shares were sold due to strong investor demand. Following the sale, Bain Capital Partners LLC ceased to hold any ordinary shares in Ibstock plc. As at 31 December 2017, the board of directors of the company, consider, based on the facts and circumstances, that Bain Capital Partners LLC no longer continues to have significant influence over the Group.

There is no ultimate controlling party.

In the year ended 31 December 2016:
On 2 September 2016, Diamond (BC) S.a.r.l (a wholly owned subsidiary of Bain Capital Partners LLC) announced the sale of 40,500,000 ordinary shares in the capital of the Group. Following the sales, Bain Capital Partners LLC held 150,200,435 ordinary shares representing approximately 37.0% of the entire issued share capital. As at 31 December 2016 the board of directors of the company, considered, based on the facts and circumstances, that Bain Capital Partners LLC continued to have significant influence over, but did not control, the Group.

11. DIVIDENDS PAID AND PROPOSED

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Final dividend for 2016: 5.3 pence (2015: 4.4 pence)	21,532	17,869
Interim dividend for 2017: 2.6 pence (2016: 2.4 pence)	10,566	9,746
	32,098	27,615
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Final dividend for 2017: 6.5 pence (2016: 5.3 pence)	26,417	21,500
	26,417	21,500

The directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 6.5 pence per ordinary share (2016: 5.3 pence) which will distribute an estimated £26,417,000 (2016: £21,500,000) of shareholders' funds. It will be paid on 8 June 2018 to those shareholders who are on the register at 11 May 2018 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.

Ibstock PLC - final results

Released 6 March 2018

Independent auditor's report to the members of Ibstock plc on the final results for the year ended 31 December 2017

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 final results statement of annual results for the year ended 31 December 2017.

The final results statement of annual results for the year ended 31 December 2017 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, Reconciliation of changes in cash and cash equivalents to movement in net debt 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 final results statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the final results 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 5 March 2018. 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 – customer rebates	
Key audit matter description	The Group enters into various agreements whereby it offers customers retrospective rebates according to the volume of transactions completed with that customer. The rebate agreements are complex in nature, with different types of rebates being offered to each customer, with the nature of those rebates differing across the product range. Due to the high level of complexity involved, we have determined that there was a potential for fraud through possible manipulation of this balance. The key audit matter in relation to customer rebates is pinpointed to the accuracy and completeness of the reduction against revenue in respect of rebates for customers in all divisions of the Group. Refer to note 1 (Accounting policies) of the full Annual Report & Accounts.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to address this key audit matter. We have: • assessed the design and implementation of the controls to address the key audit matter in all divisions and the operating effectiveness of controls in the Brick and Forticrete divisions; • performed year-on-year analysis of revenue and rebates to understand any material changes in the rebate provision at a customer level; • selected a sample of customer rebate agreements, inspected the terms and dates, and recalculated selected rebates in accordance with the contract terms, including confirming the sales data on which the rebate calculations are based; • reviewed the largest customers in each of the divisions and requested written confirmations from a sample of the largest customers to confirm that the rebate provided by the Group is the full rebate due to the customer for 2017; • assessed the completeness of rebates by reviewing credit notes raised during 2017 and post year-end, reviewed whether payments had been made to customers where we had been informed that no rebate agreement was in place and made enquiries of management as to the existence of any other rebate arrangements; and • agreed a sample of rebates to settlement post year end.
Key observations	Our testing of a sample of rebate agreements did not identify any material differences in the level of rebate recognised as a reduction against revenue. We agree that there is no material misstatement in the level of rebates recognised for the year ended 31 December 2017.

Inflation and discount rate assumptions used in defined benefit pension liability valuation	
Key audit matter description	The Group has a net defined benefit pension asset of £46.1m (gross liabilities of £613.4m) at 31 December 2017 (31 December 2016: £28.7m net liability and £698.0m gross liabilities). There is a risk of material misstatement relating to judgements made in valuing the defined benefit pension scheme liabilities as small changes in the key model input assumptions such as the discount rate and inflation rate can have a significant impact on the valuation of the liability.

	Refer to the Audit Committee Report, note 1 (Accounting policies) and note 20 (Post-employment benefit obligations) of the full Annual Report & Accounts. Refer to note 9 within this announcement.
How the scope of our audit responded to the key audit matter	We performed the following procedures to address this risk. We have: • utilised our Pensions Analytics tool to assess the appropriateness of the inflation and discount rate assumptions used in respect of the UK scheme; • engaged Deloitte actuarial specialists in respect of the methodology adopted and to review the legal advice received in the year in respect of IFRIC 14 and the Company's ability to access any surplus in the scheme; • considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to changes in these key assumptions; and • challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation with reference to comparator company and market data as at 31 December 2017.
Key observations	From the work performed we are satisfied that the key assumptions applied in respect of the valuation of the defined benefit pension scheme liabilities are within a reasonable range. We are satisfied that the recognition of a pension asset in the year (and reversal of the previous additional IFRIC 14 liability) is appropriate.

Procedures performed to agree to the final results statement of annual results

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

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

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

(c) considered whether the financial information in the final results statement is misstated;

(d) considered whether the final results statement 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 final results statement 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
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
5 March 2018