

Registered number
00063230

Ibstock Brick Limited
Annual Report and Financial Statements
For the year ended 31 December 2023

Ibstock Brick Limited

Reports and Financial Statements for the year ended 31 December 2023

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Ibstock Brick Limited

Company Information

Directors

A N Craddock
A R Batterham (resigned 30 April 2024)
C M McLeish
D Bowkett
J H Hudson
D A Waters (resigned 24 March 2023)

Company Secretary

N D M Giles (resigned 27 January 2023 and reappointed 31 July 2024)
R A Parker (appointed 27 January 2023 and resigned 31 July 2024)

Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
West Midlands
United Kingdom
B1 2HZ

Bankers

Lloyds Bank Plc
7 High Street
Leicester
United Kingdom
LE1 9FS

Registered office

Leicester Road
Ibstock
Leicestershire
United Kingdom
LE67 6HS

Registered number

00063230

Strategic Report

The Directors present the Strategic Report of Ibstock Brick Limited ('the Company') for the year ended 31 December 2023.

Principal activity

The Company is an indirect subsidiary of Ibstock Plc ('the ultimate parent' and 'the Group'). The principal activity of the company during the year was the sale of clay bricks and the manufacture and sale of associated special shaped and fabricated clay products.

The Company subcontracted the manufacture of clay bricks to a subsidiary undertaking. Following the transfer of manufacturing responsibilities, the Company levied recharges to its subsidiary for the provision of direct labour, a licence fee payable for the use of the Company's premises and equipment and other manufacturing costs incurred.

The Directors do not expect that to change in the foreseeable future.

The Company sells its products predominantly to the UK market with some exports to Europe.

The profit for the year after taxation amounted to £33,755,000 (2022: Profit £87,676,000).

Review of business

The Company's key financial and other performance indicators during the year were as follows:

	2023	2022	Change
	£000	£000	%
Turnover	286,618	365,022	(21.5)
Total operating profit	46,613	105,181	(55.7)
Profit after tax	33,755	87,676	(61.5)
Shareholder's funds	482,408	452,061	6.7
Current assets as a percentage of current liabilities	147%	140%	5.0
Average number of employees	1,368	1,396	(2.0)

The Company delivered a resilient operational performance in the year, with this outcome underpinned by consistent network reliability and intense focus on cost management alongside a dynamic commercial approach that recovered in full significant variable cost inflation.

During 2023, The Company achieved sales of £287 million which was 22% lower than 2022 (£365 million). This was driven by materially lower sales volumes. Sales volumes during 2023 were in line with the trend experienced across the broader domestic market. As a consequence of this lower demand, inventory was built at higher-than-typical levels providing a benefit to margins through higher fixed cost absorption.

This inventory investment ensures that we are well positioned for increased demand when the market recovers.

The Company experienced meaningful cost inflation compared to 2022 in both variable and fixed cost categories. Variable costs increases, included the impact of energy hedges entered into in the prior year, although softer spot prices during the first half helped to limit the scale of this increase. We now have around 70% of 2024 energy requirements covered at prices broadly in line with the comparative period.

Cost and capacity management was a major focus this year, with a comprehensive operational review completed to reduce fixed cost and align capacity to near-term market demand. This review resulted in permanent closure of two factories at Ravenhead and South Holmwood, and two specials sites at Gloucester and Hampshire.

Ravenhead and South Holmwood are currently being decommissioned and we are exploring alternative options for the sites alongside disposal opportunities. A range of further steps to rationalise near-term capacity and cost across The Company were implemented during the second half of the year.

Commissioning of the new Atlas brick factory in the West Midlands commenced on schedule from the end of 2023, with production expected to ramp up over the first half of 2024, in line with market conditions. Atlas will produce the UK's first externally verified carbon neutral brick and will increase annual network capacity by over 100 million bricks to support The Company's long-term growth objectives.

The Company also made significant investments in the Aldridge factory as well as replacing the kiln at our Parkhouse site.

Future developments

The Directors expect the Company to continue in its principal activity for the foreseeable future and that positive prospects for the business exist.

Strategic Report (continued)**Principal risks and uncertainties**

The Directors of the Company's ultimate parent consider the principal risks and uncertainties of the Group with assistance from its Audit Committee. The principal risks facing the Company are outlined below with full detail being included on pages 22 to 26 of the 2023 Annual Report and Accounts of Ibstock Plc. The principal risks include business continuity, regulatory and compliance, people and talent management, cyber and information system, health, safety and environment, economic conditions, financial risk management, maintaining customer relationships and market reputation, climate change, anticipating product demand and innovation and major project delivery.

Financial risk management

The Company's key financial risk management objectives and policies are as per the below:

- **Foreign exchange risk:** As the Company transacts in currencies other than Sterling, exchange rate fluctuations may adversely impact the Company's results. The Company undertakes limited foreign exchange transactions selling domestically with largely local input costs. Some capital expenditure requires foreign exchange purchases and management considers foreign exchange hedging strategies where significant exposures arise.
- **Credit risk:** Through its customers, the Company is exposed to a counterparty risk that accounts receivable will not be settled leading to a financial loss. Customer credit risk is managed subject to the Group's policy relating to customer credit risk management. The Company principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter.
- **Liquidity risk:** Insufficient funds could result in the Company being unable to fund its operations. The Company's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements and liabilities when they become due. The Company also relies on financial support provided by the Group.
- **Interest rate risk:** Movements in interest rates could adversely impact the Company and result in higher financing payments to service debt. The Group finances its operations through a mixture of retained profits and bank borrowings and private placement loan notes. The Group's bank borrowings, other facilities and deposits are in Sterling and at floating rates. No interest rate derivative contracts have been entered into during the year or at the year end.
- **Input costs:** The Company's business may be affected by volatility in extraction expenses and raw material costs. Risks exist around our ability to pass on increased costs through price increases to its customers. Significant input costs are under constant review, with continuous monitoring of raw material costs, energy prices and haulage expenses, with the aim of achieving the best possible prices and assuring stability of supply. The impacts are mitigated through pricing increases. The Company maintains appropriate sales pricing policies to remain competitive within our markets and pass on significant increases in input costs.
- **Energy pricing:** The Company's business may also be affected by volatility in energy costs or disruptions in energy supplies. Significant changes in the cost or availability of transportation could affect the Company's results. The Company operates forward purchasing of energy and carbon to mitigate the impact of sudden price increases and monitors the carbon market on an ongoing basis and has modelled the impact of such rises to assess the financial implications.

Stakeholder statements**Employees**

The Directors believe that building a safe, healthy and happy workplace where our people can reach their full potential strengthens our business. Listening and understanding to employees views and ideas is a key part of our culture.

The Company is an equal opportunities employer and considers applications for employment from disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, wherever practicable, the recruitment, training, career development and promotion of disabled people and the retention of and appropriate training from those who become disabled during their employment.

The Company places value in its employees and seeks to keep them informed on matters impacting them as employees and various factors impacting the performance of the Company and the wider Ibstock Plc Group. This is communicated via informal and formal meetings and ensures that employee representatives are consulted regularly for views on matters affecting them. The Group offers a Save As You Earn (SAYE) scheme, which is open for all employees of the Company and involves saving for a period of three years and offers shares for sale at a discounted price. The Company encourages the participation of its employees and the SAYE scheme has good involvement from the employees.

The Company regards the establishment and maintenance of safe working practices to be of the highest importance.

Strategic Report (continued)**Stakeholder statements (continued)****Other stakeholders**

From the perspective of the Directors, as a result of the Group's governance structure, the ultimate parent Company's Board has taken the lead in carrying out the duties of the Directors in respect of the Company's other stakeholders. The Directors have also considered relevant matters, where appropriate. An explanation of how the Directors on the ultimate parent Company's Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including the principal decisions taken by the Company during the financial year, is set out (for the Group and for this entity) on pages 38 to 43 of the Annual Report and Accounts 2023 of Ibstock Plc, which does not form part of this report.

Further details also can be found in the section 172(1) statement below.

Section 172(1) statement

From the perspective of the Directors, as a result of the Group's governance structure, the matters that it is responsible for considering under Section 172(1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the ultimate parent Company's board in relation to the Group and to this entity.

The Company considers its key stakeholders to be its employees, customers, suppliers, communities, and shareholders.

The Listening Post is the Company's formal mechanism for employee engagement and sharing employee views with the Board. The Board ensured that the People Strategy remained true to the core values of Teamwork, Trust, Care and Courage, and that our employees were appropriately supported.

The Board receives updates on the relationships with existing customers through Customer feedbacks. Strategic decisions, which include capital investment and innovation, are made to fulfil customer requirements.

The Company engaged its key suppliers through the supplier engagement day to achieve mutually beneficial formalised agreements with the key suppliers.

All Directors have a strong relationship with employees, customers and suppliers through close working relationships. They also receive regular formal and informal updates from the People Team and the Sales Team to further understand the needs of these stakeholders.

The relationship with the Communities local to the sites is managed by the Factory Managers who provide regular updates to the Directors on this.

During the year, the Group executive directors sit on the boards of the Company and its ultimate parent Company. The Group executive directors formed the primary communication route between the Company and the Shareholder, Government and Regulatory, and Pension Fund Members and Trustees. This structure supports the board of the Company in performing its duties in compliance with the matters set out in s172.

The Board continued to ensure that the Company and Group's strategy remained appropriate to deliver the long-term success of the Company, and oversaw Management's execution of the strategy. The Board carefully evaluated the likely consequences of its decisions, challenging management where necessary to ensure that the impact of any decisions over the long-term would be of benefit to the Company.

The Board remains committed to ensuring the business operates with the highest standards of integrity, and continually reviews and tests the compliance arrangements in place. A significant part of the Board's leadership responsibility is to ensure that the Company's purpose, strategy and culture remain aligned, and it recognises that a robust and transparent culture is a solid foundation for maintaining the Company and the Group's reputation for high standards of business conduct.

Over the course of the year the Board has overseen and supported the initiatives undertaken on culture.

It is acknowledged that it is not possible for all of the Board's decisions to result in a positive outcome for every stakeholder group. When making decisions, the Board considers the Company's purpose, vision and values, together with its strategic priorities and takes account of its role as a responsible business. By doing this, the aim is to ensure that decisions are robust and sustainable and drive long-term success for the Company.

To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the ultimate parent Company's Board has considered the matters set out in s172 (for the Group and for the entity) is set out on page 42 and 43 of the Annual Report and Accounts 2023 of Ibstock Plc, which does not form part of this report.

The report was approved by the Board on 13 September 2024 and signed on its behalf by:



C M McLeish
Director

13 September 2024

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2023.

The Company has chosen, in accordance with Section 414 C(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. Details of the Company's financial risk management policies and objectives, employees and other stakeholders, future developments and dividends can be found in the Strategic report on pages 2 to 4 and form part of this report by cross reference.

Directors

The following persons served as Directors during the year and up to the date of approval of the financial statements:

A N Craddock
A R Batterham (resigned 30 April 2024)
C M McLeish
D Bowkett
J H Hudson
D A Waters (resigned 24 March 2023)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Disclosure of information to auditor

Each person who was a Director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and its ultimate parent group ('the Group') have adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements.

From the Company's perspective, the Group has confirmed to the Directors that it will support the Company in meeting its liabilities as they fall due, to the extent that money is not otherwise available to meet such liabilities.

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

The Group has financing arrangements, comprising £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four-year tenor, with an enacted one year extension option, both of which were arranged in 2021. At 31 December 2023 the Group had drawn £25 million under the RCF.

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

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios which see reduction in the industry demands for its products thereby stress testing the Group's resilience. Further detail on the Group's scenario modelling is included within the 2023 Annual Report and Accounts of Ibstock Plc.

Directors' Report (continued)

Going concern (continued)

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

Energy and carbon reporting

The Company has taken advantage of the disclosure exemptions available to it as it meets the definition under Schedule 7 (1A) of the Large and medium-sized companies and Groups (Accounts and Reports) Regulations. The Company is an indirect subsidiary of, and is included within the consolidated financial statements of, Ibstock Plc, which has the same financial year end as the Company.

Dividends

No dividend was paid in the current or preceding period. The Directors do not recommend the payment of dividend after the balance sheet date.

Research and development activities

Details on research and development activities can be found in note 1.

Political and charitable donations

As part of the company's commitment to the communities in which it operates, donations (excluding sponsorship) totalling £61,911 (2022 : £29,321) were made during the year to local charities and community projects. No political donations were made in the current or prior year.

Non-adjusting post balance sheet events

No subsequent events requiring disclosure or adjustments to these financial statements have been identified since the balance sheet date.

The report was approved by the Board on 13 September 2024 and signed on its behalf by:



C M McLeish
Director
13 September 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement

For the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Turnover	2	286,618	365,022
Cost of sales		(202,705)	(220,749)
Gross profit		<u>83,913</u>	<u>144,273</u>
Distribution costs		(24,370)	(31,299)
Administrative expenses		(15,571)	(17,732)
Other operating income/(expenses)	4	2,375	2,532
Gain on disposal of tangible fixed assets		266	7,407
Operating profit	3	<u>46,613</u>	<u>105,181</u>
Interest payable and similar charges	8	(262)	(38)
Other financial income	9	711	1,668
Profit before taxation		<u>47,062</u>	<u>106,811</u>
Tax charge on profit	10	(13,307)	(19,135)
Profit for the financial year		<u><u>33,755</u></u>	<u><u>87,676</u></u>

All amounts were from continuing operations.

The notes on pages 12 to 26 form an integral part of the financial statements.

Statement of Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023	2022
		£000	£000
Profit for the financial year		33,755	87,676
Other comprehensive (expense)/income			
Remeasurements of net defined benefit obligation	21	(5,283)	(44,581)
Current tax relating to net defined benefit obligation		-	333
Movement on deferred tax relating to net defined benefit obligation		1,241	8,137
Tax rate change on deferred tax relating to net defined benefit obligation		85	1,562
Remeasurement of cash flow hedges		(591)	641
Tax movements related to cash flow hedges		139	(122)
Total comprehensive income for the year		<u>29,346</u>	<u>53,646</u>

The notes on pages 12 to 26 form an integral part of the financial statements.

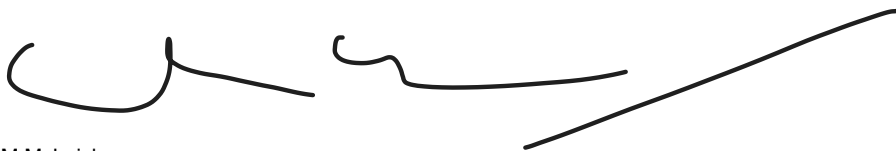
Statement of Financial Position

as at 31 December 2023

	Notes	2023 £000	2022 £000
Fixed assets			
Property, plant and equipment	12	288,332	249,062
Intangible assets	13	5,995	8,070
Pension assets	21	9,832	15,194
Investments in subsidiary undertakings	14	75,496	75,496
		<u>379,655</u>	<u>347,822</u>
Current assets			
Inventories	15	86,640	65,604
Debtors	16	387,240	394,674
Cash at bank and in hand		14,650	35,356
Derivative financial instrument	18	(24)	567
		<u>488,506</u>	<u>496,201</u>
Creditors: amounts falling due within one year	17	(332,676)	(355,335)
Net current assets		155,830	140,866
Total assets less current liabilities		<u>535,485</u>	<u>488,688</u>
Provisions for liabilities and charges			
Deferred taxation	10	(43,128)	(31,576)
Provisions and liabilities	19	(9,949)	(5,051)
		<u>(53,077)</u>	<u>(36,627)</u>
Net assets		<u><u>482,408</u></u>	<u><u>452,061</u></u>
Share capital and reserves			
Called up share capital	20	983	983
Share premium	20	24,740	24,740
Revaluation reserve	20	13,534	13,534
Profit and loss account	20	443,175	412,237
Cash flow hedging reserve	20	(24)	567
Shareholder's funds		<u><u>482,408</u></u>	<u><u>452,061</u></u>

The notes on pages 12 to 26 form an integral part of the financial statements.

These financial statements were approved by the Board and authorised for issue on 13 September 2024 and signed on its behalf by:



C M McLeish

Director

13 September 2024

Statement of Changes in Equity

For the year ended 31 December 2023

	Notes	Share capital £000	Share premium £000	Revaluation reserves £000	Profit and loss account £000	Cash flow hedging reserve £000	Total £000
At 1 January 2022		983	24,740	13,865	360,709	(74)	400,223
Profit for the financial year		-	-	-	87,676	-	87,676
Remeasurements of net defined benefit obligation	21	-	-	-	(44,581)	-	(44,581)
Current tax relating to net defined benefit obligation		-	-	-	333	-	333
Movement on deferred tax relating to net defined benefit obligation		-	-	-	8,137	-	8,137
Tax rate change on deferred tax relating to net defined benefit obligation		-	-	-	1,562	-	1,562
Other comprehensive expense		-	-	-	(122)	641	519
Total comprehensive income/(expense)		-	-	-	53,005	641	53,646
Transfer from revaluation reserve		-	-	(331)	331	-	-
Share based payment		-	-	-	671	-	671
Waiver of intragroup debt		-	-	-	(2,479)	-	(2,479)
At 31 December 2022		983	24,740	13,534	412,237	567	452,061
At 1 January 2023		983	24,740	13,534	412,237	567	452,061
Profit for the financial year		-	-	-	33,755	-	33,755
Remeasurements of net defined benefit obligation	21	-	-	-	(5,283)	-	(5,283)
Current tax relating to net defined benefit obligation		-	-	-	-	-	-
Movement on deferred tax relating to net defined benefit obligation		-	-	-	1,241	-	1,241
Tax rate change on deferred tax relating to net defined benefit obligation		-	-	-	85	-	85
Other comprehensive income		-	-	-	139	(591)	(452)
Total comprehensive income		-	-	-	29,937	(591)	29,346
Transfer from revaluation reserve		-	-	-	-	-	-
Share based payment	20	-	-	-	1,001	-	1,001
At 31 December 2023		983	24,740	13,534	443,175	(24)	482,408

The notes on pages 12 to 26 form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2023

1 Summary of material accounting policies**Statement of compliance**

Ibstock Brick Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered office is at Leicester Road, Ibstock, Leicestershire, United Kingdom, LE67 6HS.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2023.

The principal activities of the Company and the nature of the operations are set out on the strategic report on page 2.

Basis of preparation

The financial statements of Ibstock Brick Limited were approved for issue by the Board on 13 September 2024.

The financial statements have been prepared under the historic cost convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £'000.

The directors have taken the decision not to produce group financial statements on the basis that the company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006.

These financial statements therefore present information about the company as an individual undertaking and not about its group.

Reduced disclosure exemptions

Under FRS 102 (Section 1.12 (b)), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent company (Ibstock Plc) includes the company's cash flows in its own published consolidated financial statements.

At 31 December 2023, the company was a wholly owned subsidiary of Ibstock Plc.

The consolidated financial statements of the Group are publicly available at Ibstock Plc, Leicester Road, Ibstock, Leicestershire, LE67 6HS. Accordingly, the company has taken advantage of the exemption with Section 33 of FRS 102 from disclosing transactions with wholly owned subsidiaries of Ibstock Plc.

The company has also taken advantage of the financial instrument disclosure requirement exemptions from making certain disclosures set out within Sections 11 and 12 of FRS 102, and the exemption from disclosing key management compensation (other than Directors' emoluments) under FRS 102 (Section 1.12).

The company has elected to avail itself of the disclosure exemption within FRS 102 (Section 1.12(d)) in relation to certain share-based payments disclosure requirements as it is a subsidiary with share-based payment arrangements in equity of its ultimate parent entity whose separate financial statements are presented alongside the consolidated financial statements, which contain the requisite equivalent disclosures.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and its ultimate parent group ('the Group') have adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements.

From the Company's perspective, the Group has confirmed to the Directors that it will support the Company in meeting its liabilities as they fall due, to the extent that money is not otherwise available to meet such liabilities.

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

The Group has financing arrangements, comprising £100 million of private placement notes with maturities of between 7 and 12 years and a £125 million RCF for an initial four-year tenor, with an enacted one year extension option, both of which were arranged in 2021. At 31 December 2023 the Group had drawn £25 million under the RCF.

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

The key uncertainty faced by the Group is the industry demand for its products in light of macroeconomic factors. Accordingly, the Group has modelled financial scenarios which see reduction in the industry demands for its products thereby stress testing the Group's resilience. Further detail on the Group's scenario modelling is included within the 2023 Annual Report and Accounts of Ibstock Plc.

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

Key sources of estimation uncertainty and critical accounting judgements

The preparation of the financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Notes to the Financial Statements

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)**Defined benefit pension schemes - valuation of liabilities**

For defined benefit schemes, management is required to make annual estimates and assumptions about future changes in benefits, inflation rates, life expectancy and other pensioner demographics. The assumptions used may vary from year to year, which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. These assumptions are subject to periodic review. Note 19 describes the assumptions used together with an analysis of the sensitivity of the defined benefit scheme liability £363.9 million at 31 December 2023 (£358.4 million at 31 December 2022) to changes in key assumptions.

Impairment of Non-current assets

Assessing the Company's Property, plant and equipment and Right of use assets for impairment requires estimation of the present value of future cash flows. The calculations require the Group to estimate the future cash flows expected to arise from Cash Generating Units (CGUs). The key assumption in this regard relates to long-term industry demand for the Group's products.

Note 14 describes the other assumptions used together with an analysis of the sensitivity of the impairment assessment to changes in the key assumption.

Critical accounting judgements

No critical accounting judgements were made in applying the Company's accounting policies for the current year.

Revenue recognition

Revenue represents the value of goods and services supplied to external customers. Revenue is measured at the fair value of the consideration received and excludes trade discounts and value added tax/sales tax. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually at the point of dispatch, the amount of revenue can be measured reliably, it is probable that the economic benefit associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Customer rebates

Provisions for rebates to customers are based upon the terms of individual contracts, with rebates granted based upon a tiered structure dependent upon an individual customer's purchases during the rebate period. Customer rebates are recorded in the same period as the related sales as a deduction from revenue and the vast majority are coterminous with the Company's financial year end. For those individual contracts that are non-coterminous, the Company estimates the provision for this variable consideration based on the most likely outcome amount determined by the terms of each agreement at the time the revenue is recognised. At the financial year end, due to settlement of rebates with customers, the level of remaining estimation is limited and the risk of a significant reversal of recognised revenue is negligible.

Other income

Other income is attributable to rental income from properties, government grants, landfill and gas activity. Other expenses represent associated expenses. This is not deemed to be a principal activity of the Company. Rental income received under operating leases is recognised on a straight-line basis over the term of the relevant lease. Assets leased by the Company to third parties are depreciated in line with the normal depreciation policy.

Government grants are recognised within the income statement on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Grants are presented as part of the income statement within other operating income. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised within the income statement in the period in which they become receivable.

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

Pensions and other post-retirement benefits

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The company operates a defined benefit pension plan, which requires contributions to be made to separately administered funds. The scheme closed to new members in April 2011. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current year (to determine current service cost) and to current and prior year (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Notes to the Financial Statements

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of other comprehensive income in the year in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total of the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Company expects to recover by way of refunds from the plan or reduction in the future contributions.

Where defined benefit schemes have a surplus, the surplus is recognised if future economic benefits are available to the entity in the form of a reduction in the future contributions or a right to refund.

When the benefits of a defined benefit plan are changed or when the plan is curtailed, the change in the present value of the defined benefit obligation arising that relates to the plan amendment or curtailment is recognised immediately in profit or loss on its occurrence. Before determining the past service cost (including curtailment gains or losses) or a gain or loss on settlement, the net defined benefit obligation (asset) is remeasured using the current fair value of plan assets and current actuarial assumptions (including current market interest rates and other current market prices) reflecting the benefits offered under the plan before the plan amendment, curtailment or settlement.

Property, plant and equipment and depreciation

All fixed assets are initially recorded at cost. The carrying values of Property, plant and equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off, on a straight line basis, the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or valuation of each asset evenly over its expected useful life, as follows:

Buildings	- between 20 and 30 years
Vehicles	- 5 years
Leasehold Property	- over the life of the lease
Fixed Plant and Machinery	- between 10 and 25 years
Mobile Plant	- between 3 and 5 years
Office Equipment	- 5 years

Assets that were revalued in 1999 and prior years by independent valuers, continue to be held at the revalued amount and will not be subjected to ongoing revaluation in accordance with applicable accounting standards.

An amount equal to the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Useful lives and residual values are reviewed at each balance sheet date and revised where expectations are significantly different from previous estimates. In such cases, the depreciation charge for current and future periods is adjusted accordingly.

Mineral reserves

Exploration expenditure relates to the initial search for mineral deposits with economic potential and is not capitalised. Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential and in obtaining permissions to extract clay.

Capitalisation of evaluation expenditure within 'Mineral reserves' commences when there is a high degree of confidence that the Company will determine that a project is commercially viable, i.e., the project will provide a satisfactory return relative to its perceived risks, and therefore it is considered probable that future economic benefits will flow to the Company. Mineral reserves may be declared for an undeveloped project before its commercial viability has been fully determined. Evaluation costs may continue to be capitalised during the period between declaration of reserves and approval to extract clay as further work is undertaken in order to refine the development case to maximise the project's returns. The carrying values of capitalised evaluation expenditure are reviewed for impairment by management. Mineral reserves are amortised on a usage basis.

Intangible assets - Licences

Licences include carbon allowances, which are held at cost and surrendered, as required, to meet carbon emissions in excess of the Company's granted allowances. Emissions in the year in excess of granted allowances are recognised within accruals at the expected cost of settling the related liability.

Investments

Investments in subsidiaries are included at cost stated at the historical value at the time of investment less any provisions for impairment.

Impairment of non-financial assets

Assets that are subject to amortisation or depreciation, such as investments and property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised immediately within the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date at which point they are immediately recognised within the income statement.

Notes to the Financial Statements

For the year ended 31 December 2023

1 Summary of material accounting policies (continued)***Financial instruments******Financial assets***

Financial assets, including trade and other receivables, loans to fellow group companies and cash at bank are initially recognised at fair value. Such assets are subsequently carried at amortised cost using the effective interest method less impairment. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial liabilities

Financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at fair value and subsequently measured at amortised cost using effective interest method. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Forward energy contracts

The Company has a long-standing practice of locking in prices for gas and electricity used in its production activities and achieves this by committing to a certain volume of consumption in future months which creates a contractual commitment and secures a certain price.

The Company takes delivery of the energy and so the Directors believe it meets the requirements of the own use scope exemption in IFRS 9 Financial Instruments. As such, these contracts are not held on the balance sheet at fair value but rather treated as executory contracts and energy purchases are accounted for in the period in which the gas and electricity is consumed, at the contracted price.

Derivatives and hedging

The Company enters into derivative transactions to manage its exposure to foreign exchange rate risks on major capital expenditure projects.

Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently remeasured to their fair value at each reporting date.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk.

These derivatives are designated and effective as hedging instruments, in which event the timing of the transfer within the balance sheet or recognition in the income statement depends on the nature of the hedge relationship.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. The Company documents whether the hedging instrument is effective in offsetting the hedged risk, by confirming that:

- there is an economic relationship between hedged items and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the planned ratio of hedge: hedge item is the same as the actual ratio of hedge: hedge item.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income and accumulated under the cash flow hedging reserve. Any gain or loss relating to the ineffective portion of the hedge is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the related capital expenditure project within the balance sheet in the periods when the underlying hedged item affects the balance sheet.

The Group discontinues hedge accounting should the hedge relationship cease to meet the qualifying criteria, or when the hedging instrument expires, is sold, terminated or exercised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	- recognised on a weighted average cost basis.
Work in progress and finished goods	- cost includes all direct costs and an
	expected to be incurred to completion and disposal.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the Income Statement.

Share-based payments

For the equity-settled share-based payment transactions, the fair value of the share options granted is derived from the established option pricing models. Further details on share-based payments are set out in note 20.

Notes to the Financial Statements

For the year ended 31 December 2023

1 Summary of significant material policies (continued)**Research and development**

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Related party transactions

At 31 December 2023 and 31 December 2022, the company was a wholly owned subsidiary of Ibstock Plc. The consolidated financial statements of the Group are publicly available. Accordingly, the company has taken advantage of the exemption with FRS 102 (Section 1.12(e)) from disclosing transactions with members or investees of Ibstock Plc in 2023 and 2022.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the risk-assessed expenditures expected to be required to settle the obligation using a pre-tax risk free discount rate to reflect current market assessments of the time value of money. The increase in the provision due to passage of time is recognised as interest expense.

The restoration provision is to fund future obligations at a number of sites that the Company is associated with and where the Company has any constructive obligation to restore once it has fully utilised the site.

Taxation - current

Current tax represents the expected tax payable (or recoverable) on the taxable profit or loss for the year using tax rates enacted for the period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions;

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement on a straight-line basis, and the capital element which reduces the outstanding obligation for future instalments.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company exclusive of Value Added Tax, inclusive of rebates and trade discounts. The whole of the turnover is attributable to the principal activity of the company being the manufacture and sale of clay facing bricks and associated special shaped and fabricated clay products.

	2023	2022
	£000	£000
Sale of goods	286,618	365,022
An analysis of turnover by geographical market is given below:		
	2023	2022
	£000	£000
UK	276,476	357,023
Europe	10,142	7,999
	286,618	365,022

During the current year, two customer accounted for greater than 10% of Company's revenues with £64.3 million of turnover (2022: two customers with £74.8 million of turnover).

Notes to the Financial Statements

For the year ended 31 December 2023

3 Operating result	2023	2022
	£000	£000
This is stated after charging / (crediting):		
Depreciation of owned fixed assets	13,608	15,928
Depreciation of assets held under finance leases	145	99
Operating lease rentals - plant and machinery	5,851	5,475
Operating lease rentals - land and buildings	1,916	1,731
Defined contribution plans	3,566	3,301
Auditor's remuneration - auditing of the financial statements	320	323
Profit on disposal of tangible fixed assets	(266)	(7,407)
Cost of sales recharged from subsidiary undertaking	151,440	167,089
Cost of sales recharged to subsidiary undertaking	(135,496)	(151,174)
Administrative expenses recharged to subsidiary undertaking	(9,643)	(9,340)
Impairment of tangible fixed assets recognised as an expense (Note 10)	9,814	-

No fees were payable to Deloitte LLP for non-audit services

4 Other operating income	2023	2022
	£000	£000
Income from estates	2,181	2,630
Net Research & Development allowance	194	(98)
	<u>2,375</u>	<u>2,532</u>

5 Staff costs	2023	2022
	£000	£000
Wages and salaries	60,661	66,990
Social security costs	6,101	6,281
Other pension costs	3,566	3,301
Share based payments	1,001	671
Recharges to subsidiary undertaking	(43,896)	(46,119)
	<u>27,433</u>	<u>31,124</u>

Other pension costs comprise:	2023	2022
	£000	£000
Defined contribution scheme costs	3,566	3,301
	<u>3,566</u>	<u>3,301</u>

The monthly average number of employees during the year was as follows:	2023	2022
	Number	Number
Administration	115	143
Manufacturing	1,124	1,111
Sales	129	142
	<u>1,368</u>	<u>1,396</u>

During the year the Company incurred £6,190,000 of costs associated with the Group's restructuring plan, no such costs were incurred in the prior year.

In the year ended 31 December 2023, a recharge for direct labour of £43,895,574 (2022: £46,119,000) was made to a subsidiary company as part of the Supply of Services agreement associated with the transfer of Clay brick manufacturing activities.

6 Directors' emoluments	2023	2022
	£000	£000
Emoluments	561	872
Company contributions paid to money purchase Pension schemes (2023: 5 and 2022: 5)	31	71
Share based payments	59	113
	<u>651</u>	<u>1,056</u>

Highest paid Director:	2023	2022
	£000	£000
Emoluments	244	297
Contributions towards money purchase pension scheme during the year	10	9

During the year, no Directors exercised share options (2022: no Directors exercised share options).

During the current year, no Directors were awarded share options under the Group's Long Term Incentive Plan. During the prior year, 2 Directors were awarded share options under the Group's Long Term Incentive Plan, neither were the highest paid Director.

Of the 6 Directors (2022: 8) active at some point during the year, 3 were paid by other Group companies (2022: 3). These Directors provide services to the Company but do not occupy a significant amount of their time. As such these Directors do not consider that they have received any remuneration for their inconsequential services to the Company for the year ended 31 December 2023 (2022: £nil).

Notes to the Financial Statements

For the year ended 31 December 2023

7 Directors' emoluments (continued)		2023	2022
Number of Directors in company pension schemes:		2023	2022
		Number	Number
Number of Directors being members of money purchase pension schemes		6	8
Further details on the pension schemes can be found in note 21 to the accounts.			
Number of Directors in company long-term share incentive schemes:		2023	2022
		Number	Number
Number of Directors accruing benefits under long-term share incentive schemes:		6	8
8 Interest payable		2023	2022
		£000	£000
Bank interest payable		12	-
Finance charges payable under finance leases		10	38
Unwind of discount on provisions and changes in discount rates		240	-
		262	38
9 Other financial income		2023	2022
		£000	£000
Expected return on pension scheme assets	(Note 21)	17,399	10,949
Interest on pension scheme liabilities	(Note 21)	(16,688)	(9,901)
Changes in discount rates on provisions		-	431
Dividend income		-	153
Foreign exchange gains		-	19
Other interest income		-	17
		711	1,668
10 Taxation		2023	2022
		£000	£000
Analysis of charge in period			
Current tax:			
UK corporation tax on profits of the period		1,226	12,651
Adjustments in respect of previous periods		(936)	780
		290	13,431
Deferred tax:			
Origination and reversal of timing differences		11,304	5,406
Adjustments in respect of previous periods		1,713	(441)
Effect of change in tax rate		-	739
		13,017	5,704
Tax charge on profit		13,307	19,135
Factors affecting tax charge for period			
The differences between the tax assessed for the year and			
		2023	2022
		£000	£000
Profit on ordinary activities before tax		47,062	106,811
Standard rate of corporation tax in the UK		23.50%	19.00%
Profit on ordinary activities multiplied by the standard rate of		11,060	20,294
Effects of:			
Capital allowances super-deduction		(260)	(1,483)
Capital gain		-	(1,488)
Expenses not deductible for tax purposes		1,054	764
Change in deferred tax rate		676	739
Adjustments to tax charge in respect of previous periods		777	339
Total tax for the period		13,307	19,135
Factors that may affect future tax charges			
There are no factors that may affect future tax charges.			

Notes to the Financial Statements

For the year ended 31 December 2023

11 Taxation (continued)	2023	2022
Deferred taxation		
The deferred tax liability consists of the following		
	2023	2022
	£000	£000
Accelerated capital allowances	41,047	27,940
Capital gains	1,507	1,507
Provisions	(1,862)	(1,775)
Share based payments	(16)	(28)
Cash flow hedge	(6)	133
Net defined benefit obligation	2,458	3,799
	<u>43,128</u>	<u>31,576</u>
Deferred tax liability	2023	2022
	£000	£000
At 1 January	31,576	35,449
Charged to the income statement	13,017	5,704
Charged to other comprehensive income	(1,465)	(9,577)
At 31 December	<u>43,128</u>	<u>31,576</u>

There are no unused tax losses or unused tax credits. The

12 Property plant and equipment	Land and buildings			
	Freehold	Short leasehold	Plant and machinery	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 January 2023	146,415	1,643	363,836	511,894
Additions	6,845	-	55,689	62,534
Disposals	(1,417)	(91)	(21,548)	(23,056)
At 31 December 2023	<u>151,843</u>	<u>1,552</u>	<u>397,977</u>	<u>551,372</u>
Depreciation				
At 1 January 2023	82,416	128	180,288	262,832
Charge for the year	2,047	10	11,696	13,753
Impairment	1,266	-	8,548	9,814
On disposals	(1,301)	(91)	(21,967)	(23,359)
At 31 December 2023	<u>84,428</u>	<u>47</u>	<u>178,565</u>	<u>263,040</u>
Carrying amount				
At 31 December 2023	<u>67,415</u>	<u>1,505</u>	<u>219,412</u>	<u>288,332</u>
At 31 December 2022	<u>63,999</u>	<u>1,515</u>	<u>183,548</u>	<u>249,062</u>

Included in freehold land and buildings above is £17,176,027 (2022: £17,176,027) of land which is not depreciated.

Included in short leasehold land and buildings above is £519,675 (2022: £519,675) of land which is not depreciated.

A profit on disposal of property plant and equipment of £266,000 has been recognised in the year ended 31 December 2023 (2022: profit of £7,407,000).

On the historical cost basis, certain land and buildings, would

	2023	2022
	£000	£000
Cost:		
At 1 January	146,054	144,610
At 31 December	<u>151,482</u>	<u>146,054</u>
Accumulated depreciation based on cost:		
At 1 January	71,824	66,755
At 31 December	<u>72,570</u>	<u>71,824</u>
Net book value at 31 December	<u>78,912</u>	<u>74,230</u>

Notes to the Financial Statements

For the year ended 31 December 2023

13 Intangible assets

	Licences 2023 £000	Licences 2022 £000
Cost:		
At 1 January	8,070	6,402
Additions	1,844	5,573
Disposals	<u>(3,919)</u>	<u>(3,905)</u>
At 31 December	5,995	8,070
At 31 December	<u>5,995</u>	<u>8,070</u>

Licences include carbon allowances, which are held at cost and surrendered, as required, to meet carbon emissions in excess of the company's granted allowances. Emissions in the year in excess of granted allowances are recognised within accruals at the expected cost of settling the related liability.

14 Investments in subsidiary undertakings

	2023 £000	2022 £000
Cost:		
At 1 January	<u>148,902</u>	<u>148,902</u>
At 31 December	148,902	148,902
Impairment:		
At 1 January	<u>(73,406)</u>	<u>(73,406)</u>
At 31 December	(73,406)	(73,406)
At 31 December	<u>75,496</u>	<u>75,496</u>

The company had the following subsidiaries as at 31 December 2023.

Company	Shares held Class	Proportion of shares	Country of Incorporation	Nature of Business
Ibstock Bricks (1996) Limited	Ordinary	100	UK	Property Holding Company
Ibstock Brick Aldridge Limited	Ordinary	100	UK	Dormant
Ibstock Brick Aldridge Property Limited	Ordinary	100	UK	Dormant
Ibstock Brick Cattybrook Limited	Ordinary	100	UK	Dormant
Ibstock Hathernware Limited	Ordinary	100	UK	Dormant
Ibstock Brick Himley Limited	Ordinary	100	UK	Dormant
Ibstock Brick Leicester Limited	Ordinary	100	UK	Dormant
Ibstock Brick Nostell Limited	Ordinary	100	UK	Dormant
Ibstock Brick Roughdales Limited	Ordinary	100	UK	Dormant
Ibstock Westbrick Limited	Ordinary	100	UK	Dormant
Kevington Building Products Limited	Ordinary	100	UK	Dormant
Manchester Brick and Precast Ltd	Ordinary	100	UK	Dormant
Loopfire Systems Limited	Ordinary	100	UK	Dormant
Moore & Sons Limited	Ordinary	100	UK	Dormant
Ibstock Manufacturing Services Limited	Ordinary	100	UK	Sub-

All companies are owned directly by Ibstock Brick Limited. All the subsidiary companies listed above have a year-end date of 31 December. During the year Wealdbeam Systems Limited was dissolved following rationalisation of the group structure which occurred at the 2022 year end.

The country of incorporation is the same as the place of business for all the above entities. All entities have the same registered office as the ultimate Parent Company, Leicester Road, Ibstock, Leicestershire, LE67 6HS.

15 Inventories

	2023 £000	2022 £000
Raw materials	25,575	26,996
Work in progress	2,517	959
Finished goods	<u>58,548</u>	<u>37,649</u>
	<u>86,640</u>	<u>65,604</u>

The replacement cost of stock is not considered to be

At 31 December 2023, the Company held an inventory provision of £4,550,285 (2022: £2,255,000).

Notes to the Financial Statements

For the year ended 31 December 2023

14 Impairment

Following announcement of the proposed cessation of production at the Ravenhead and South Holmwood, Gloucester and Hampshire sites, management performed detailed impairment testing for the carrying value of the assets associated with these sites. Management determined the recoverable amount of the closed factories based on the Fair Value less costs of disposal. Determination of cost of disposal by management reflected full impairment of all items of plant and machinery, buildings and majority of working capital for which management's assessment was that no alternative use, future salvage value or disposal proceeds are expected for the impacted assets.

This assessment of impairment resulted in the recognition of an Impairment charge of £20,079,000 within cost of sales within the income statement.

In the year, in light of the decrease in activity levels across the UK construction industry, management identified indicators of potential impairment. For tangible asset impairment testing purposes, the entity has determined that the factories are Cash Generating Unit (CGU). Management completed detailed impairment testing based on value-in-use ("VIU"), for the Company's other operating CGU as at 31 December 2023.

Assumptions used within the VIU calculations are noted below:

1. Management has used the latest Board approved budget and strategic planning forecasts in its estimated future cash flows, covering the period 2024 to 2028, which includes assumptions regarding industry demand for the Group's products. These forecasts assume a return to normalised levels of industry demand for the Group's products (defined as a level of demand in line with the 2022 year) over the medium term.
2. A pre-tax weighted average cost of capital ("WACC") of 12.4% was used within the VIU calculation based on an externally derived rate and benchmarked against industry peer group companies.
3. Terminal growth rates of 2% were used reflecting long term inflationary expectations and management's past experience and expectations.

16 Debtors

	2023	2022
	£000	£000
Amounts falling due within one year are:		
Trade debtors	17,380	41,589
Prepayments and accrued income	2,773	3,559
Amounts owed by parent undertakings	352,230	342,674
Amounts owed by fellow subsidiary undertakings	8,246	4,689
Corporation tax receivable	6,611	2,163
	<u>387,240</u>	<u>394,674</u>

During 2022, the company waived total amounts due from fellow subsidiaries of £2,479,000. This was been accounted for as a distribution in accordance with FRS 102 section 6.

Amounts due from group undertakings represent current account balances at the year end, which are unsecured, carry no interest and are repayable on demand. These amounts have been recorded as current assets as plans are being put in place to settle them with their related counterparties and these are not expected to be used on a continuing basis.

17 Creditors: amounts falling due within one year

	2023	2022
	£000	£000
Obligations under finance lease and hire purchase contracts	10	98
Trade creditors	30,544	56,008
Other taxes and social security costs	422	6,346
Amounts owed to subsidiary undertakings	94,961	89,051
Amounts owed to parent undertakings	124,541	122,588
Amounts owed to fellow subsidiary undertakings	62,155	56,895
Accruals	20,043	24,349
	<u>332,676</u>	<u>355,335</u>

Amounts due to group undertakings represent current account balances at the year end, which are unsecured,

18 Derivative financial instrument

	2023	2022
	£000	£000
Derivative financial instrument	(24)	567
	<u>(24)</u>	<u>567</u>

The Company entered into forward currency contracts as cash flow hedges in November 2021 to manage its exposure of foreign currency fluctuations associated with the future purchase of plant and equipment required for the construction of the major capital expenditure projects announced in the year.

These instruments are measured at fair value subsequent to initial recognition. At 31 December 2023, an liability valued at £24,000 (2022: asset valued at £567,000) was recognised for these derivative financial instruments. No amounts have been reclassified to profit or loss as a result of the hedged cash flow during the year. The cash flow hedging reserve within equity includes an accumulated amount of £24,000 (2022: £567,000) relating to these derivative financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2023

19 Provisions and liabilities

	Restoration £000	Restructuring £000	Other £000	Total £000
At 1 January 2023	4,427	-	624	5,051
Charged to income statement	99	4,427	418	4,944
Utilised	(136)	-	(150)	(286)
Changes in discount rates	240	-	-	240
At 31 December 2023	<u>4,630</u>	<u>4,427</u>	<u>892</u>	<u>9,949</u>

The restoration provision is to fund future obligations at a number of sites that the company is associated with and where the company is legally contracted to restore once we have fully utilised the site. Key estimates associated with calculating the provision relate to the cost per acre to perform the necessary remediation work as at the reporting date together with determining the year of retirement. Of this balance £4,824,000 is deemed due within one year (2022: £1,114,000).

The restructuring provision comprised obligations arising as a result of the site closures and associated redundancy costs announced following the completion of the Company's review of operations during the second half of 2023. The key estimate associated with the provision relates to the redundancy cost per impacted employee. The Company has now finalised the restructuring plan and as such no further provision is required.

Other provisions include provisions for Dilapidations, Legal Claims and Onerous Leases. The majority of the cost is expected to be incurred within one year of the balance sheet date.

All of these provisions are discounted on an annual basis.

20 Share capital and reserves

	Nominal value	Number	2023 £000	2022 £000
Allotted, called up and fully paid:				
Ordinary shares	£0.25 each	3,932,776	<u>983</u>	<u>983</u>

The share premium reserve is formed of the premium paid for new shares above their nominal value.

The revaluation reserves represents gain on revaluation less transfers and adjustments.

The profit and loss reserve represents cumulative profit or losses net of dividends and other adjustments.

The cash flow hedging reserve within equity includes an accumulated amount of £24,000 liability (2022: £567,000 asset) relating to derivative financial instruments.

21 Pension assets**Ibstock Pension Scheme**

The Company participates in the Ibstock Pension Scheme ("the Pension Scheme"), a defined benefit pension scheme in the UK. The Pension Scheme contains three participating employers - the company, Forticrete Limited and Anderton Concrete Products Limited. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore as the major employer, the company accounts for the whole Pension Scheme as a defined benefit pension scheme, as the amounts relating to the other employing companies cannot be separated. The Pension Scheme is funded by payment of contributions to a separate trustee administered fund.

The scheme is administered by trustees who employ independent fund managers for the investment of the pension scheme assets. These assets are kept entirely separate from those of the company. Following consultation with members, accounting for closure of the scheme to future accrual occurred in the year ended 31 December 2016. As a result, benefits were reassessed as active members were transferred to deferred membership.

Total annual contributions to the scheme are based on independent actuarial advice, and are gauged to fund future pension liabilities (including projected increase in earnings and pensions) in respect of service up to the balance sheet date.

The scheme is subject to independent actuarial valuation at least every three years using the projected unit method. The valuation was updated by Buck Consultants, qualified actuaries, to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 December 2022 and 31 December 2023. The valuation used as at 31 December 2022 has been based on the results of the 30 November 2020 valuation, as updated for changes in demographic assumptions, as appropriate. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates or return are established by applying published brokers' forecasts for each category of scheme assets.

On 20 December 2022, the Scheme completed a full buy-in transaction with a specialist third-party provider, which represented a significant step in the Company's continuing strategy of de-risking its pensions exposure. This transaction, together with the partial buy-in transaction in 2020 insure all of the Company's defined benefit liabilities. As a result, the insured annuity assets and liabilities of the Scheme are assumed to be fully matched and the interest rate, inflation risk and longevity risk are removed. However, there is a residual risk that the insurance premium may be increased following a data cleanse to reflect a more accurate position. If the surplus Scheme assets are insufficient to meet any additional premium, then the Company may need to pay an additional contribution into the Scheme.

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

The difference between the buy-in premium and the FRS 102 Section 28 liability for these members has been taken through the statement of other comprehensive income in the year ended 31 December 2022 as an asset loss of £23.4 million.

Notes to the Financial Statements

For the year ended 31 December 2023

21 Pension assets (continued)

The defined benefit pension scheme (measured under IAS 19 Employee Benefits) is in a net surplus position as the Trust Deed provides Ibstock with an unconditional right to a refund of surplus asset. This assumes the full gradual settlement of plan liabilities over time until all members have left the plan in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustees have no right to unilaterally wind up, or otherwise augment the benefits due to the members of the Scheme. In line with FRS 102 section 28 Employee Benefits, a net pension asset has been recognised. The corresponding deferred tax liability should be measured by applying either the standard rate of corporation tax to the taxable temporary difference, or the 35% rate applicable to refunds from pension schemes. As the Directors do not consider it likely that there will be a refund from the Scheme due to expected future settlement costs, the deferred tax liability of £2.5 million (2022: £3.8 million) has been measured at the standard rate of corporation tax.

The main assumptions used are noted, below:

	2023	2022
	%	%
Main assumptions:		
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.60	3.65
Discount rate	4.55	4.80
Inflation assumption:		
- R.P.I. (p.a)	3.10	3.20
- C.P.I. (p.a)	2.50	2.60
Life expectancy at age 65:		
Current pensioner – male	86.4	86.9
Current pensioner – female	89.1	89.5
Future pensioner, currently aged 40 – male	88.1	88.6
Future pensioner, currently aged 40 – female	90.9	91.4

The post-retirement mortality assumptions allow for expected changes to life expectancy. The life expectancies quoted for members currently aged 40 assume that they retire at age 65 (i.e. 25 years after the balance sheet date).

The principal financial assumption is the real discount rate, being the excess of the discount rate over the rate of inflation. The discount rate is based on the market yields on high-quality corporate bonds of appropriate currency and term to the defined benefit obligations. The obligations are primarily in sterling and have a maturity of some 20 years. If the real discount rate increased/decreased by 0.25%, the defined benefit obligations at 31 December 2023 would decrease/increase by approximately 4%.

The impact on the defined benefit obligation to changes in the financial and demographic assumptions is shown below:

	2023	2022
	£000	£000
Present value of defined benefit obligations at 31 December	(363,887)	(358,425)
0.25% increase in discount rate	11,939	11,583
0.25% decrease in discount rate	(12,573)	(12,209)
0.25% increase in pension growth rate	(8,731)	(8,417)
0.25% decrease in pension growth rate	8,390	8,085
0.25% increase in inflation rate	(6,447)	(6,007)
0.25% decrease in inflation rate	7,433	7,270
1 year increase in life expectancy	(15,568)	(14,042)
1 year decrease in life expectancy	15,601	14,110

The assets and liabilities of the scheme at 31 December 2023 were:

	2023	2022
	£000	£000
Cash flow driven investment	-	9,857
Insured pensioners	361,436	358,425
Liability driven investment	-	290
Cash and net current assets	12,283	5,047
Total market value of assets	<u>373,719</u>	<u>373,619</u>
Present value of scheme liabilities	(363,887)	(358,425)
Pension asset	<u>9,832</u>	<u>15,194</u>

All equities have a quoted market price in an active market, whilst cash and cash equivalents are unquoted. Liability Driven Investments (LDI) are funds constructed to reduce the risk within the scheme. They help to mitigate against movements in inflation or interest rates by moving in a similar way to the liabilities following market movements. The funds are constructed from gilts and swaps. Equities are valued at Level 1 in the fair value hierarchy and all other assets held by the Scheme are level 2 in the hierarchy. The Scheme's LDI fund is managed by BMO. It is predominantly unquoted and is set up as a 'bespoke pooled fund' with valuations undertaken on a regular basis with rebalancing occurring on a quarterly basis to reflect the movements in the Scheme's other assets and cash flows. To reduce volatility risk, a LDI strategy forms part of the Trustees' management of the Scheme assets, comprising UK gilts, repurchase agreements and derivatives. At 31 December 2023, the LDI had a net asset value of £nil (2022: £290,000). The liabilities comprised repurchase agreements, which are entered into to better offset the schemes exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Additionally, during the year ended 31 December 2018, the Group restructured its bond holdings and entered into a Bespoke cash flow driven investment held with M&G Investment managers in order to provide a flow of income to the Scheme and meet the liability requirements. This investment is structured in such a way as to satisfy the requirements of the Ibstock Scheme member population.

The pension plan has not invested in any of the Ibstock Plc Group's own financial instruments nor in properties or other assets used by the Group.

Notes to the Financial Statements

For the year ended 31 December 2023

21 Pension assets (continued)

The amounts recognised in the Income Statement and the Statement of Other Comprehensive Income are analysed as follows:

	2023	2022
	£000	£000
Recognised in the Income Statement:		
Administrative expenses	1,082	777
Total operating charge recognised in the profit and loss	1,082	777
Net interest (income)	(711)	(1,048)
	371	(271)
Taken to other comprehensive income:		
Remeasurement (losses) on defined benefit scheme assets	5,248	(235,822)
Actuarial gains arising from change in financial assumptions	(9,272)	211,786
Actuarial (losses) arising from change in demographic	5,217	(1,701)
Experience (losses) on obligations	(6,476)	(18,844)
	(5,283)	(44,581)

21 Pension assets (continued)

Changes in the present value of the defined benefit obligations are analysed as follows:

	2023	2022
	£000	£000
Present value of defined benefit obligation at 1 January	358,425	560,250
Interest cost	16,688	9,901
Experience loss	6,476	18,844
Benefits paid	(21,757)	(20,485)
Actuarial (gain) arising from change in financial assumptions	9,272	(211,786)
Actuarial loss arising from change in demographic assumptions	(5,217)	1,701
Present value of defined benefit obligations at 31 December	363,887	358,425

Changes in the fair value of plan assets are analysed as follows:

	2023	2022
	£000	£000
Fair value of pension scheme assets at 1 January	373,619	618,004
Interest income	17,399	10,949
Remeasurement (loss) on pension scheme assets	5,248	(235,822)
Employer contributions	292	1,750
Benefits paid	(21,757)	(20,485)
Administrative expenses	(1,082)	(777)
Fair value of pension scheme assets at 31 December	373,719	373,619

22 Share based payments

	2023	2022
	£000	£000
Share option and savings related share option expense	1,001	671

The Group operates a number of equity settled share-based payment arrangements relating to equity of the parent company. For each scheme, the company takes its portion of the Group's share-based payment charge based on the number of awards to its employees. These schemes are summarised below:

Ibstock Long-Term Incentive Plan (LTIP)

The Group granted LTIPs during the year for Executive Directors and other key management at the discretion of the Board and this has been approved by the shareholders at the Annual General Meeting. Awards under the scheme are granted in the form of nil-priced share options. The LTIP awards contain performance conditions dependent upon the Group's Total Shareholder Return (TSR), adjusted earnings per share (EPS), adjusted return on capital employed (Adjusted ROCE) and certain environmental, social and governance (ESG) targets.

Ibstock Save As You Earn (SAYE) plan

In December 2015, the Ibstock Plc Group introduced a SAYE plan for all employees allowing all participants to make contributions from their salary on a monthly basis over a three year period. A participating employee who enters into a savings agreement is granted an option to acquire ordinary shares under the Sharesave Plan at a specified exercise price. The exercise price was at a discount of 20% on the market price at the date of grant and participation is dependent upon continued employment within the Ibstock Group for the duration of the scheme. An equivalent SAYE was introduced in April 2021. There are no performance conditions associated with either SAYE. These awards vest three years from the date of award and have a maximum exercise term of six months from the date of vesting.

Ibstock Share Incentive Programme (SIP)

In December 2015, the Ibstock Plc Group introduced a SIP, which all employees were entitled to join. This provided free shares up to a value of £800 per employee depending on their period of service. The vesting period is three years from the date of grant. There are no performance conditions associated with the SIP. These awards vest three years from the date of award and have a maximum exercise term of five years from the date of vesting.

Notes to the Financial Statements

For the year ended 31 December 2023

23 Share based payments (continued)**Fire Up Grant**

In 2022, the Ibstock Plc Group announced a SIP referred to as the "Fire Up share grant". Subject to qualifying employment conditions, all employees were entitled to 500 share options at a nil exercise price. These awards vest two years from the date of award.

Ibstock Senior Manager Share Plan (SMSP)

During the year ended 31 December 2021, the Group introduced the SMSP for certain senior managers. Awards under the scheme are granted in the form of nil-priced share options. The SMSP awards contain performance conditions dependent upon the growth of the Group's adjusted EBITDA. The SMSP has an employment condition of two years.

24 Commitments under operating leases

At 31 December the company had total future minimum

	Land and buildings	Other	Land and buildings	Other
	2023	2023	2022	2022
	£000	£000	£000	£000
Falling due:				
within one year	1,602	5,859	1,471	4,621
within two to five years	4,619	12,582	5,454	10,720
in over five years	2,600	834	2,693	176
	<u>8,821</u>	<u>19,275</u>	<u>9,618</u>	<u>15,517</u>

At 31 December the company had the following future

Vehicles, plant and machinery and equipment is included

	2023	2022
	£000	£000
Falling due:		
within one year	90	70
within two to five years	16	59
	<u>106</u>	<u>129</u>

25 Contingent liabilities

The Company is party to legal actions and claims which arise in the normal course of business. The Directors believe that they will be resolved without material effect on the net asset position as shown in these financial statements.

The Company is a lessee of a number of properties which contain dilapidation clauses. The Company has evaluated that it is only possible but not probable that they would need to make good any such property leased prior to vacating. Accordingly, no provision for any liability has been made in the financial statements. Should any payment ultimately be required, it is the Directors' view that this would not have a material effect on the net asset position as shown in these financial statements.

26 Capital commitments

	2023	2022
	£000	£000
Amounts contracted for plant and machinery, but not provided in the financial statements	<u>28,992</u>	<u>70,092</u>

27 Guarantees

At 31 December 2023 and 31 December 2022, the Company

28 Related party transactions

The Company is a wholly owned subsidiary of Ibstock Plc as at 31 December 2023, the consolidated accounts of which are publicly available at Ibstock Plc, Leicester Road, Ibstock, Leicestershire, LE67 6HS. Accordingly, the Company has taken advantage of the exemption in FRS 102.33.1A, from disclosing transactions with wholly owned subsidiaries of the Ibstock Plc Group. Related party balances are disclosed in note 14 and note 15.

Notes to the Financial Statements

For the year ended 31 December 2023

29 Controlling party

The Company's immediate parent company is Ibstock Brick Holding Company Limited. The ultimate parent company, ultimate controlling party and the only Group company into which this Company is consolidated is Ibstock Plc. Both Ibstock Brick Holding Company Limited and Ibstock Plc have the same registered office address as the Company.

The parent of the smallest and largest group in which these financial statements are consolidated is Ibstock Plc, incorporated in England.

The address of Ibstock Plc is: Leicester Road, Ibstock, Leicestershire, United Kingdom, LE67 6HS.

These financial statements are available on request from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

30 Subsequent events

No subsequent events requiring disclosure or adjustments to these financial statements have been identified since the balance sheet date.

Independent auditor's report to the members of Ibstock Brick Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ibstock Brick's Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own

¹ The term used to describe the annual report should be the same as that used by the directors.

identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the companies act, pension legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our procedures performed to address them are described below:

Revenue recognition, rebates, which are often complex in nature, with different types of rebates being offered to each customer, with the nature of those rebates differing across different product ranges. The procedures performed to address the significant risk included:

- Obtaining an understanding of the relevant controls over the revenue recognition process;
- Performing a year-on-year analysis of revenue and rebates to understand material changes in the rebate provision at a customer level;
- selecting a sample of customer rebate agreements, inspecting the terms and dates, and recalculating selected rebates;
- identifying the largest customers and requesting a sample of written confirmations;
- assessing the completeness of rebates and evaluating credit notes raised during the year and post year end; and
- agreeing a sample of rebates to settlement post year end.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely 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 this report, or for the opinions we have formed.



Lee Highton (Senior Statutory Auditor) For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
13th September 2024