Forterra plc
Annual Report and
Accounts 2016

Forterra is one of the leading manufacturers of building products for the UK construction industry. We provide the materials for life's essential structures, helping our customers build with ease and confidence

Highlights

£294.5m

Revenue
(2015: £290.2m)

£70.6m

EBITDA before exceptional items (pro-forma)[1 2]
(2015: £67.5m)

£54.3m

Profit before tax and exceptional items (pro-forma)[1]
(2015: £52.3m)

£37.1m

Profit before tax
(2015: £22.2m)

21.5p

Earnings per share (pro-forma)[1]
(2015: 20.6p)

1 Pro-forma basis is presented as an additional performance measure and is stated after adjustments to present finance costs and additional plc costs incurred in 2016 as comparative measures. These numbers are reconciled to the statutory results within page 29 of the Strategic Report.

2 EBITDA before exceptional items represents earnings before interest, tax, depreciation, amortisation and exceptional items and is presented in the Consolidated Statement of Total Comprehensive Income.

For more information or to download a pdf of the report visit

forterraplc.co.uk

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A strong year of financial and strategic progress

The Board remains confident that the business is well positioned to take advantage of the attractive market fundamentals, and of its ability to increase shareholder value."

Paul Lester CBE
Chairman

5.8p
Dividend per share

21.5p
Earnings per share (pro-forma)

I am pleased to present our first Annual Report as a public company, although Forterra has a long and successful history.

Forterra has a rich heritage emanating from Hanson plc (now part of HeidelbergCement AG), and was a key player in the consolidation and rationalisation of the building products sector. The business was successfully established as a stand-alone company under Lone Star Funds' ownership before being brought to market as a new public company in April 2016. Today, Forterra is a UK leader in manufactured masonry products, with a unique combination of strong market positions in clay bricks and concrete blocks. The Group also produces a complementary range of bespoke building products, the most significant being engineered precast concrete flooring solutions.

Within our clay brick business, Forterra focuses on the efficient manufacture of high volume extruded and soft mud bricks, primarily for the housing market. The business is also the sole manufacturer of the iconic Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England's existing housing stock and are today targeted at the residential improvement market to match existing brickwork. Our concrete block business is one of the leading producers of both aircrete and aggregate blocks, the former being sold under one of the country's principal aircrete brands of Thermalite.

Health and Safety

Forterra is committed to the highest safety standards for all employees, sub-contractors and visitors to our facilities. We describe later in this report the initiatives being taken in this area, including Building Safety Together. As Chairman, I have asked that all Directors conduct safety walks at a facility annually in order to build awareness and emphasise the importance that we place on safety. In addition, all senior operational managers are required to gain the NEBOSH general certification in occupational Health and Safety and during the year a further 15 managers were awarded the qualification.

The Group's 'Lost Time Injury Frequency Rate' reduced by over 50% from 3.1 in 2015 to 1.5 in 2016, and the bricks business went through the whole year without a single lost time incident.

Strategy

The Group primarily supplies products into the UK housing industry. After an extended period of subdued house building activity, the UK has a significant structural undersupply of housing. The business is well-positioned to take advantage of the attractive market fundamentals in the short to medium-term by utilising its existing, well-invested manufacturing facilities, available production capacity and inventories. Over the medium-term, we have a number of options to drive future growth.

The five pillars of Forterra's strategy are:

- embed manufacturing excellence across our business;
- align capacity and utilisation to market conditions;
- maintain cost leadership through operational efficiency in all parts of the business;
- product and service innovation; and
- enhance the range of products and services offered through both organic investment and appropriate bolt-on acquisitions.

The strategy is discussed in more detail on page 20.

Performance

Group revenue of £294.5 million was 1.5% ahead of 2015, with a strong end to the year offsetting weak merchant demand in the first half of the year. The business continued to build on its strong position with the housebuilders and overall brick, aggregate block and concrete flooring volumes were ahead of last year. Aircrete block volumes were affected by production constraints in certain weeks arising from availability of raw materials.

Due to the listing on the London Stock Exchange's Main Market through an Initial Public Offering (IPO) in April 2016, coupled with a refinancing (which significantly reduced indebtedness at the date of listing), a true comparison of performance with the prior periods is difficult. In order to make a comparison more meaningful, the profit before exceptionals for 2015 has been shown on a pro-forma basis after adjusting for additional costs relating to being a stand-alone plc. The finance charge for 2015 and the first half of 2016 has been calculated assuming that the debt structure at IPO was in place throughout both periods, and the pro-forma profit before tax is calculated on this basis. Similarly, the number of shares in issue at December 2016 has been used in calculating pro-forma earnings per share for comparative periods.

The pro-forma profit before tax and exceptional items of £54.3 million for 2016 increased by £2.0 million compared to last year, which was a creditable performance in difficult market circumstances.

The statutory profit before tax (PBT) for 2016 of £37.1 million compares with 2015 of £22.2 million. In 2016, this was stated after charging exceptional items of £8.9 million (2015: £11.6 million) relating mainly to setting up the business as a stand-alone entity following the sale by HeidelbergCement AG and the costs associated with listing. The actual finance charge for both periods was also higher than that used in the pro-forma due to the increased net debt and higher interest rate in place under the previous ownership structure.

Earnings per share (EPS) before exceptionals has also been derived on a pro-forma basis using the profit before tax and exceptional items, effective tax rate for each period and the number of shares in place at the end of December 2016. On this basis, EPS was 4.4% higher than 2015 at 21.5 pence per share.

The Group continues to generate a strong level of free cash flow and net debt at the end of December 2016 was £92.3 million, representing 1.3 times EBITDA. This excellent performance meant that the Group exceeded the target set at IPO.

Dividend

The Board is proposing a final dividend of 3.8 pence per share, which, together with the interim dividend would make a total of 5.8 pence for the full year. This represents a payout of 41% of post-IPO earnings which is slightly ahead of the target set for the first year.

The Board intends to follow a progressive dividend policy from this base.

Board and corporate governance

Becoming a listed company has meant a number of changes to the business organisation and processes, the formation of the plc Board with strong independent Directors being central to these changes.

As Chairman, one of my prime responsibilities is developing the appropriate corporate governance framework and ensuring that there is an able and experienced group of Executive and Non-Executive Directors to support this. I am pleased to have had six such Directors bring their experience to the Board to date, with the appointment of another independent Non-Executive Director well advanced.

Justin Atkinson, our Senior Independent Director and Audit Committee Chairman, has over 20 years of experience at senior management or Director level of listed companies, including those in engineering and all types of construction. Divya Seshamani, independent Non-Executive Director, chairs the Group Risk Committee and has vast experience in areas including investment, infrastructure, energy, sustainability and manufacturing.

Bradley Boggess and Richard 'Chip' Cammerer were appointed as Non-Executive Directors under the terms of the relationship agreement between the Company and Lone Star Funds. Both Brad and Chip bring many years of experience at the senior management or Director level of businesses including those in investment, retail, manufacturing and financial services.

The business is run by a highly experienced and committed executive management team led by Stephen Harrison, Chief Executive Officer and Shatish Dasani, Chief Financial Officer. Stephen joined Hanson plc in 2002 and was Managing Director of the business over the four years prior to the IPO. Shatish has many years of experience within listed companies with exposure to building materials, manufacturing, electronics and business services.

People

The performance of the business and our success is due to the hard work and dedication of all of our employees across the Group, and I would like to thank them all for their excellent work during the year.

On listing, under the Share Incentive Plan we were pleased to give each employee a deferred stake of £500 in the equity of the Company subject to them continuing to be with us over the next three years. We also launched the Group-wide employee Sharesave scheme in October and were delighted with a strong participation rate of 62% from employees who elected to save up to £500 per month for a period of three years.

We will continue to put increasing employee engagement and people development at the forefront of our plans.

Current trading and outlook

2017 has started well, building on the momentum seen in the second half of 2016, with brick volumes for the first two months ahead of last year. The Group continues to see strong activity levels from the major housebuilders and positive indications from these customers for at least the first half of the year. It appears that the destocking in the builders' merchants supply chain is now largely complete. As anticipated, price increases for the year have now been agreed with most customers in order to cover the increases in the cost base.

Based on our order book and current levels of activity, the outlook for the first half of the year is good. We have less visibility on the second half, however we anticipate a more balanced outcome between the first and second halves than in 2016. At this stage we expect to make progress through 2017 and our expectations for the full year are unchanged.

The Board remains confident that the business is well positioned to take advantage of the attractive market fundamentals and of its ability to increase shareholder value.

Paul Lester CBE
Chairman

London Brick

A proud history and an exciting future

Imagine a product made from a raw material 150 million years old. Its excavation has changed the landscape, created thousands of jobs, provided housing for millions of people and even created a wildlife reserve.

Forterra are the sole manufacturer of the original Fletton brick which is sold under the London Brick brand, and has a history dating back to 1877. Over the years, these bricks have been produced in their billions and have been used to construct approximately 23% of England's existing housing stock.

Today, London Bricks are produced almost exclusively for the residential repair, maintenance and improvement (RM&I) market, particularly in Southern England.

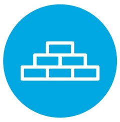
c.23%

of England's existing housing stock built with London Brick

We are organised to focus on core, complementary growth markets

We are a leading producer of manufactured masonry products, focused solely on the UK market

Leading UK producer of manufactured masonry products



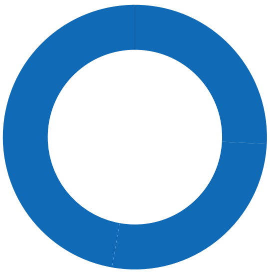
Focus on bricks and blocks with complementary range of bespoke products

Sole manufacturer of iconic Fletton bricks sold under the London Brick brand

Balanced exposure to the UK new build and RM&I sectors

Strong and long-standing customer relationships

Revenue by geography

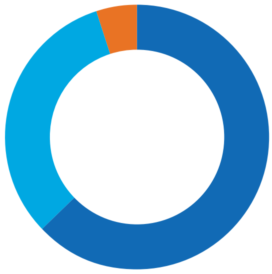


UK	100%

Revenue by segment

Bricks	48%
Blocks	27%
Bespoke Products	25%

Revenue by end use



Residential new build	63%
Residential RM&I	32%
Commercial	5%

What we do

We manufacture bricks and blocks alongside a complementary range of bespoke clay and concrete products, offering one of the broadest ranges of masonry products in the UK.

How we do it

We operate 17 production facilities. We own our own quarries which supply our brick manufacturing operations. We seek to maximise the efficiency of our production operations through utilising modern manufacturing methods.

More about our business model:
Page 16

Who we work with

Our main customers are housebuilders, builders' merchants, specialised brick merchants, contractors and subcontractors.

More about our markets and the opportunities for growth:
Page 18

Our responsible approach

We believe in working in a responsible and ethical way, and we value our people and the relationships we have with our customers, suppliers and the communities in which we operate. We work to limit our impact on the environment and aim to leave a positive legacy.

More about how we are embedding sustainable practices:
Page 31

Bricks and Blocks

Bricks: Forterra is the second largest manufacturer of bricks in the UK and is also the only manufacturer of the iconic and original Fletton brick which is sold under the London Brick brand. We operate nine brick manufacturing facilities in the UK with a total production capacity of approximately 570 million bricks per annum.

Blocks: Forterra is the second largest manufacturer of aircrete blocks in the UK, operating from two manufacturing facilities, with a combined annual production capacity of 825,000 m^3. These blocks are sold under the instantly recognisable Thermalite brand.

Forterra also produces aggregate blocks at two dedicated sites, with a combined production capacity of 275,000 m^3.

Core products

- Bricks
- Aircrete blocks
- Aggregate blocks

Key developments in the year

- Measham plant expansion resulting in 22% capacity increase
- Investment of £0.6 million made at Hams Hall plant to enable use of a wider range of raw materials
- Capital projects totalling £6.5 million commenced to modernise and expand branch production capacity at Desford and Claughton
- Increased production of aggregate blocks

Bespoke Products

Our Bespoke Products range comprises precast concrete, concrete block paving, chimney and roofing solutions, each of which is primarily specified made-to-measure or customised to meet the customer's specific needs. The Bespoke Products business operates from four manufacturing facilities in the UK.

Core products

- Precast concrete
- Engineered concrete flooring
- Red Bank chimney and roofing solutions
- Formpave permeable concrete block paving

Key developments in the year

- Successful implementation of the cement optimisation project in our hollowcore manufacturing facility saving up to 20% cement use across our primary products
- Formpave block press replacement initiated
- Secured dual hollowcore supply with largest retirement homes supplier in the UK and have already secured a significant level of orders
- Design, manufacture and supply of Forterra Omnia bridge deck system for a major motorway improvement project in Scotland
- Design, manufacture and supply of precast units for Ilkeston's new railway station platforms
- Highest level of concrete T-beam supply in the history of Forterra Precast Concrete fully utilising the new T-beam capacity installed at the Somercotes facility

Heritage

Forterra was formerly Hanson plc's UK building products division, founded in the early 1960s.

This business built up a significant presence through a number of acquisitions, including Butterley Brick in 1968, London Brick in 1984, Marshalls Flooring in 2002, Marshalls Clay Products and Thermalite in 2005, Red Bank and Formpave in 2006.

In September 2007, Hanson was acquired by HeidelbergCement AG and in March 2015 HeidelbergCement AG sold the business to Lone Star Funds.

In October 2015, the business rebranded under the name Forterra.

In April 2016 the Company gained admission to the London Stock Exchange as an independent listed company.

Well positioned for future growth

The UK's need for housing and improved infrastructure coupled with our clear strategy will deliver long-term value for our shareholders

Growth

We are well placed to deliver growth by helping the UK address its growing housing shortage

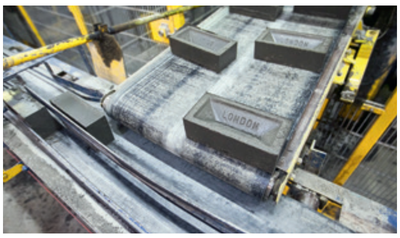
We possess additional production capacity with which we can respond to growth in demand for our products. We supply many of our customers with a range of complementary products and we continue to look for further cross-selling opportunities whilst helping our customers meet their needs.

More on our growth:
Page 10

Resilience

We have significant exposure to the repair, maintenance and improvement (RM&I) market which is traditionally more stable than new build construction

We are the sole manufacturer of the iconic London Brick which is sold into the RM&I market. Our large efficient factories and operating synergies offer us flexibility should market demand fall and we have a proven track record of reducing costs during periods of economic decline.



More on our resilience:
Page 5

Efficiency

Manufacturing excellence and operational efficiency are at the core of our strategy

We are focused on maximising value by enhancing the efficiency of our current asset base. Our de-bottlenecking projects allow us to increase capacity at a fraction of the cost of adding new facilities.

More on our efficiency:
Page 12

UK focus

We are focused exclusively on the UK. We are a leading supplier of both clay brick and concrete block products with established brands and strong market positions across our product range

Government policy is focused on stimulating additional housebuilding and investing in infrastructure. Our markets are mature and established and the low value to weight ratio of our products combined with the UK's island geography will continue to limit the penetration of imports.

More about key trends in our market place and how we are responding, in our market overview:
Page 18

Strategy

To ensure we remain industry leaders we have set out five clear strategic priorities

Our strategy is focused upon maximising our current potential as well as considering options for product expansion and appropriate bolt-on acquisitions. Our strong cash generation and de-leveraging since our IPO gives us significant optionality whilst maintaining a progressive dividend policy.

See how we are performing against our strategic priorities:
Page 20

Leadership

We have established a strong and proven leadership team with our Executive Directors joined by Non-Executive Directors who bring a diverse range of skills and experience to the Board

Our Board is supported by our Operating Board who possess many years of industry experience. Since Admission we have made significant progress in implementing our strategy whilst starting to evaluate options for the future growth of the business.

Find out more about our leadership team:
Pages 38-40

Measham

Growing capacity to meet increased demand

Opened in 2009, our Measham facility is the largest, most advanced, fully automated soft mud brick manufacturing plant in the UK. The plant's key strength is its ability to simulate hand thrown bricks on a mass produced basis.

Driven by our objective of boosting brick production in anticipation of further growth in the housing market, we have recently completed a multi-million pound investment at Measham. We have extended the tunnel kiln and installed an additional drying chamber to reduce bottlenecking.

Together, these initiatives have increased production capacity by 22%, from 86 million bricks a year to 105 million.

22%

production increase

Hoveringham
New machinery drives greater cost-efficiency

Our precast concrete business provides an extensive range of bespoke products on a made-to-order basis from our manufacturing sites at Somercotes and Hoveringham.

Situated near Nottingham, the Hoveringham factory produces our increasingly popular hollowcore wide slab pre-stressed flooring, suitable for use in upper floors of multi-dwelling housing as well as commercial and public sector buildings.

During 2016, we installed two new hollowcore casting extruders at the site. This innovative new machinery has reduced cement consumption by up to 20%, thereby reducing costs, and increased production capacity, whilst also improving product quality and consistency.


spiroll
spiroll
FORTERRA

Introduction from the CEO

“Our first annual results as a listed company show good progress in the delivery of our strategy.”

Stephen Harrison
Chief Executive Officer

I am pleased to present our first annual results as a listed company. They demonstrate good progress in the delivery of our strategy since IPO. Revenue and profit both increased during the year due to a strong performance in the second half. Net debt reduced significantly, demonstrating the strong cash generation of the business. The Group Lost Time Injury frequency rate reduced by over 50% and the bricks business went the whole year without a single lost time incident, demonstrating that we continue to deliver on our commitment to safety.

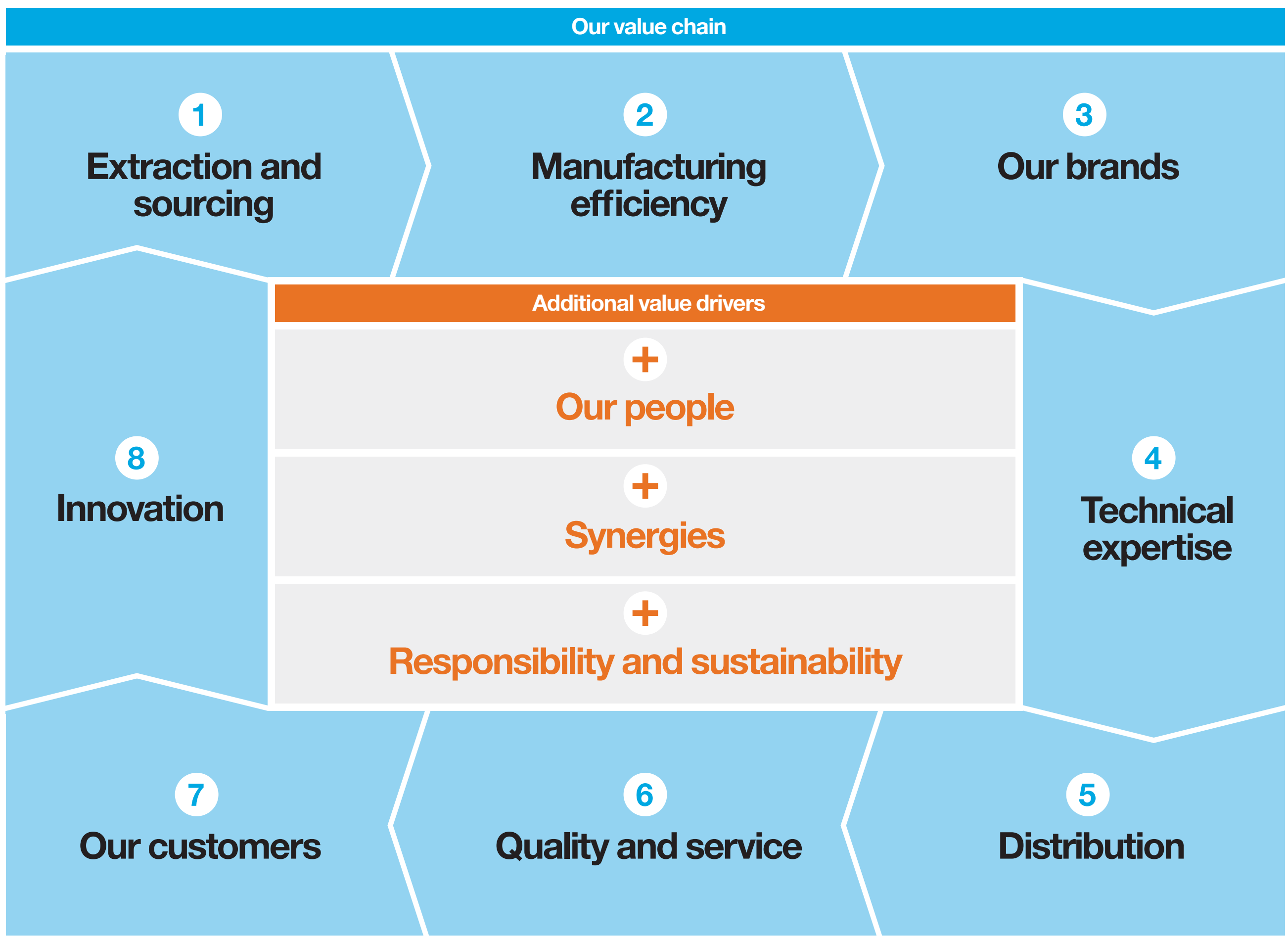
Our focus continues to be to drive the business forward for the benefit of all stakeholders, especially our shareholders who have recently invested in the Company. We continue to identify and implement investments which can drive growth and improve our service to customers.

I am backed by a strong leadership team and a great workforce, whom I would personally like to thank for their contribution and dedication during the year. As a relatively new organisation we still have improvements to make, and I am determined to continue our efforts to increase employee engagement and make this a great place to work.

I am looking forward to addressing the challenges and opportunities faced by the business and delivering further progress in the implementation of our strategy during 2017.

We create value through efficiency, strong brands, and customer service

Our people are critical to everything we do and our synergies create additional value



The value we create

Shareholders

- Strong cash generation facilitating growth-generating investment
- Progressive dividend policy

Our people

- Long-term careers
- Personal development
- Equity ownership
- A Living Wage employer

Our customers

- Quality product and service offering
- Trusted partner
- Transparent relationships

Our suppliers

- Long-term relationships
- Sustaining employment in our supply chain

Communities

- Provider of materials to address the 'housing crisis'
- Employment opportunities
- Caring for our local environment

Our value chain

1
Extraction and sourcing

Each of our major brick factories has an adjacent quarry from which clay is sourced. We also own clay reserves at other strategic locations. In total we have access to over 85 million tonnes of clay reserves and resources equating to an average of over 50 years production.

In addition to internally sourced clay, we source a range of other raw materials externally, including cement, aggregates, steel and packaging. We also consume significant quantities of natural gas, electricity and diesel which may be procured under forward contracts to provide price certainty.

2
Manufacturing efficiency

Manufacturing is at the core of our strength. The Brick and Block business manufactures and supplies a complementary range of clay and concrete building products. The Bespoke Products business manufactures and supplies a wide range of design-led products, including precast concrete flooring, permeable paving solutions and roofing and chimney products.

We operate from 17 highly efficient and well invested facilities, which are amongst the largest of their kind in the UK. This delivers significant operating efficiencies, reducing our production costs. We strive for continuous improvement with modern methods of manufacturing being implemented throughout the Group. We continue to invest in maximising the performance of our installed production capacity with a number of de-bottlenecking projects further enhancing operating efficiency. We possess further un-utilised production capacity allowing us to benefit from further market growth.

3
Our brands

We possess well-known brands with strong histories which are held with affection in the construction industry, including London Brick, Thermalite, Butterley Brick, Formpave and Red Bank. Forterra may be a new name in the industry, but our brands are long-established with a reputation for quality.

4
Technical expertise

We not only manufacture high quality products but also offer customers a range of technical support, design and installation services to ensure our products meet and exceed expectations.

5
Distribution

We operate a dedicated distribution fleet of 125 flexible crane-equipped brick and block delivery vehicles suitable for deliveries to sites where space is restricted. Operating our own fleet allows us to provide the most reliable delivery service to customers.

6
Quality and service

We take great pride in the quality of our products and the service provided to our customers. In the unlikely event that our service levels or products fall short of the high standards we demand, then we aim to be transparent in putting things right as quickly as possible.

7
Our customers

Our customers include major housebuilders, builders' merchants and other distributors. We don't generally sell directly to tradesmen and the general public, who purchase our products from their local stockists. We have long standing customer relationships, in many cases exceeding 25 years.

8
Innovation

We continue to focus on innovation throughout our value chain, from seeking new raw materials, to improving production processes and designing new products for tomorrow's markets.

Additional value drivers

+
Our people

We are committed to ensuring the safety and wellbeing of our people. We employee over 1,500 people to whom we offer effective training to ensure that they can perform to their potential. We are developing and empowering our people at all levels to help them improve their Company and its performance.

+
Synergies

Our product range is complementary and we sell many of our products to the same customers. Our shared distribution fleet operating across our Brick and Block business allows us to reduce costs and carbon emissions by reducing the time our vehicles run empty.

Production waste from one of our products is a valuable raw material for another. We re-use brick and aircrete waste in the manufacture of our aggregate blocks and where our clay deposits are found beneath sand and gravel reserves we are able to use this sand and gravel in manufacturing our aggregate blocks.

+
Responsibility and sustainability

Central to everything we do is our responsibility for the safety of our people and everyone with whom we come into contact, along with our obligation to protect the environment.

Well placed to take advantage of market growth

The UK residential construction sector is Forterra's primary market place and the Group's results are influenced by the level of activity in this sector

Economic overview

The current housing shortage should act as a positive driver to industry growth for the foreseeable future, although the current outlook is tempered by uncertainty around the impact of the UK's decision to leave the European Union.

The UK economy grew by 2.0% during 2016 despite a lull immediately after the EU Referendum in June 2016. The third and fourth quarters of 2016 saw strong growth as economic activity benefited from robust consumer spending. In February 2017 the Bank of England revised its 2017 growth forecast for the UK economy upwards with the Bank now forecasting GDP to grow by 2.0% in 2017. Interest rates remain at record low levels which continue to support the UK housing market.

2.0%

2016 UK GDP growth

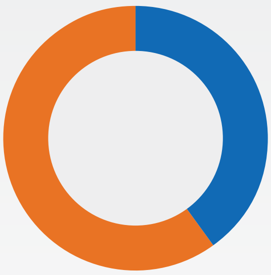
Our market

The Group's products are almost exclusively used in construction activities within the UK and demand for the Group's products is therefore directly related to levels of UK construction activity. Levels and growth of construction activity are influenced by a number of macro-economic factors including general economic prosperity, government policy, mortgage availability and interest rates.

The UK construction market can be segmented by both end market and end use. The Group's products are predominantly utilised within the residential construction sector.

In 2016 c95% of the Group's revenue was derived from sales to residential construction applications. In addition to housebuilders, the Group's customers also include builders' merchants and distributors who sell the products to a range of end users so a degree of estimation is inherent within these figures.

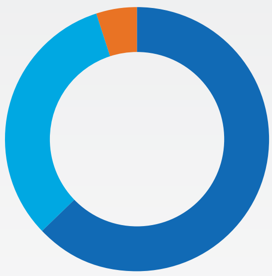
UK market breakdown by end market



Residential	40%
Non-residential	60%

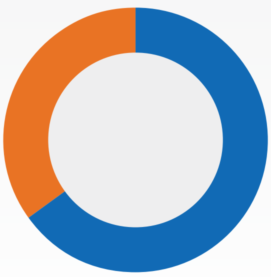
Source: CPA Forecast Winter 2016/17

Forterra revenue by end use



Residential new build	63%
Residential RM&I	32%
Commercial	5%

UK market breakdown by end use



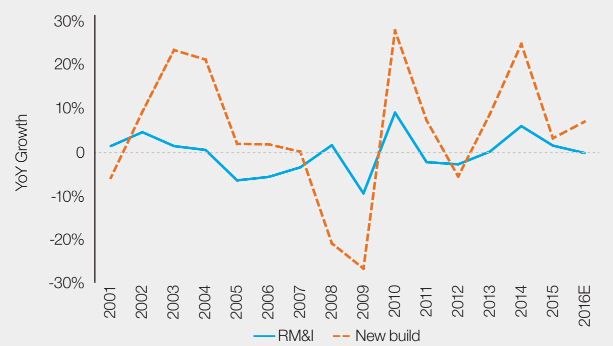
New works	65%
Repair and maintenance	35%

Source: CPA Forecast Winter 2016/17

UK housing market

The residential construction sector in the UK consists of both private and public (social) housing and includes both new build and the repair, maintenance and improvement (RM&I) of existing properties. New build activity is generally measured by the number of housing starts and the number of housing completions. Historically, new build activity has tracked broader economic cycles. RM&I activity is historically more stable. Forterra, through the unique and widely used London Brick, has a greater exposure to the residential RM&I market than some of its competitors.

Annual change in housing output (%)



E – preliminary estimate.
Source: Construction Products Association.

New build construction

With over 50% of the Group's revenue being derived from residential new build construction, the performance of the housebuilding sector is fundamental to the Group's success. Currently over 85% of the houses built in the UK are constructed by the private sector with less than 15% being provided using public sector funding. Private house building has seen considerable growth over the past three years with housing starts increasing by 27% between 2013 and 2016. This increase has been driven by growth in the wider economy and supportive Government policy including the Help to Buy equity loan scheme, which is expected to continue until 2021. Private housing starts in Great Britain increased by 5.0% in 2016 and, with major housebuilders continuing to signal modest increases in output, build rates are expected to grow in 2017.

Public housing starts declined by 15% in 2016, but with Government policy now shifting towards providing an increased supply of social housing this figure is expected to grow in 2017 with further strong growth anticipated thereafter.

Structural undersupply of housing

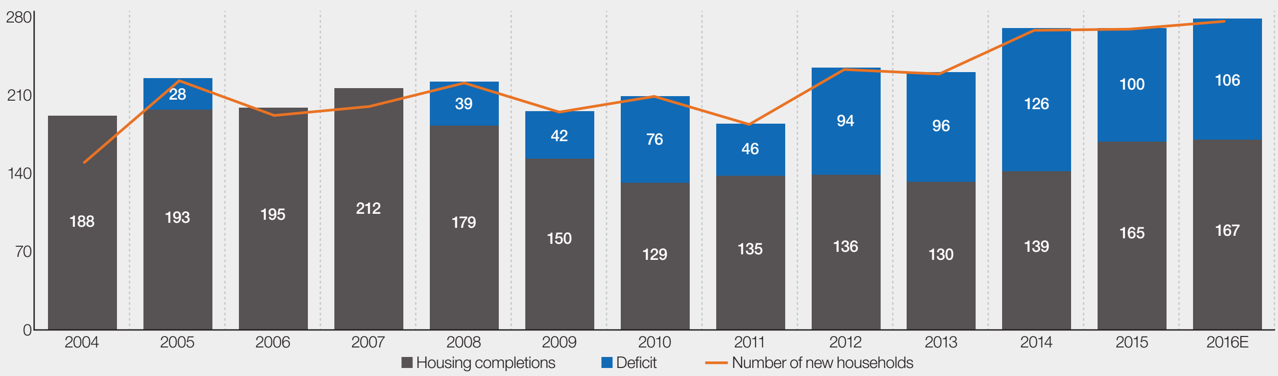
The UK housing market has experienced long-standing structural undersupply. The Barker Review of Housing Supply in 2004 stated that prior to the financial crisis there was a shortage of approximately 450,000 houses. The situation further deteriorated following the financial crisis, with a prolonged period of depressed construction activity. The market picked up following the economic downturn, with a rise in the number of housing completions, however, current output remains well below both historic levels and the Barker Review recommendation that 240,000 new homes be built each year. The Construction Products Association estimates that there were 167,000 housing completions in 2016, still well short of the Barker Review recommendation. It is therefore implied that at the end of 2016 there is now a cumulative shortage of over 1.1 million homes which is continuing to grow.

Government policy continues to focus on further stimulating the rate of housebuilding. In January 2017 plans were announced to build 14 new garden villages which is expected to lead to 25,000 new starts by 2020. The Housing White Paper published in February 2017 included measures intended to further boost the national rate of housebuilding including changes to the planning process and incentives to encourage the building of homes for private rental.

Repair, maintenance and improvement

The housing RM&I market has remained fairly benign during the last two years. Whilst there is strong demand for new housing, current levels of housing transactions, which stimulate RM&I spend with householders renovating homes prior to sale or enhancing them after purchase remain at modest levels. The EU Referendum has increased the level of future economic uncertainty, which in turn may make householders more risk averse and less willing to spend on home improvements.

UK housing completions vs number of new households 2004–2016 ('000s)



Sources: Construction Products Association / Department for Communities and Local Government.

We have a clear plan to capture future opportunities

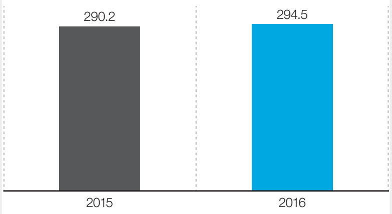
We have set out the following five strategic pillars that will drive us forward and ensure we generate sustainable shareholder value

Priorities	Actions	Progress in 2016	Looking ahead
1 Embed manufacturing excellence	• Implement facility optimisation programmes • Invest in modern process technology • Continual focus on Health and Safety and Sustainability	In 2016 we successfully completed the expansion of our Measham brick facility, further enhancing its efficiency and increasing production capacity by 22%. Within Bespoke Products we have reduced cement consumption in our hollowcore flooring products by up to 20% following the introduction of new state-of-the-art casting machines. We also delivered an excellent improvement in our accident record with lost time incidents down by over 50% compared to 2015, with no lost time incidents within our Brick business for the first time in our history.	We will continue to enhance our manufacturing footprint with our Desford and Claughton brick factories benefiting from significant investment in 2017. We will also roll out the Intouch production monitoring system to our aggregate block plants in 2017. Following on from the excellent Health and Safety performance in 2016 we will continue to strive for further improvements.
2 Align capacity and utilisation to market conditions	• Respond to market conditions • Flex cost base where necessary	During 2016 we continued to respond quickly and decisively to changes in market conditions. We increased our production of London Brick at Kings Dyke by recommissioning an idle kiln. We also responded to continued strong demand for aggregate blocks by increasing output at both of our facilities. We temporarily turned off the kilns at Claughton and Accrington in the middle of the year to balance our inventories and to maximise the utilisation of our most efficient plants.	We will continue to align our output to market demand and we have significant unused capacity which will allow us to benefit from market growth. Our investments at Desford and Claughton will not only improve efficiency but will also add an additional 15 million bricks of annual capacity. We retain full optionality for future larger scale brick capacity increases at our sites at Swillington and Clockhouse.
3 Deliver operational efficiency	• Continuous improvement programmes covering: – resource usage/ energy efficiency; – supply chain management; – distribution optimisation.	Within our aircrete business we have made progress on developing and utilising alternative raw materials in the manufacture of our products. Within Bespoke Products we manufactured and delivered a record volume of precast concrete T-beams following investment at our Somercotes facility.	We intend to continue exploring and developing alternative materials for use in the manufacture of aircrete blocks and will commit capital to modifying our plants where necessary. We will continue to investigate options to maximise the efficiency of our facilities, further develop our procurement and improve distribution functions.
4 Product and service innovation	• Develop new products and services • Enhance our customer service and build on existing relationships	We restructured our Brick and Block commercial function during the year to maximise our ability to cross-sell our wide range of products. We have also created a new commercial and specification team who will work with architects and specifiers to sell our products into this segment, where we are currently under-represented. We demonstrated our commitment to innovation by establishing a dedicated new product development team and utilising our increased capacity we have already added a number of new products to our Ecostock brick range manufactured at Measham. Additionally, we have developed a new marketing strategy to showcase the uses of our products in flood prevention.	We will continue to explore opportunities in the emerging field of 'off-site' construction and this may include developing our own products and also partnering with others. We expect to continue to increase the resources we devote to research and development. In 2017 we will make it easier for our customers and suppliers to trade with us by implementing new IT systems throughout our business.
5 Product range enhancement	• Expand housing construction product footprint • Investigate bolt-on acquisitions	We have commenced a review of opportunities for product expansion and appropriate bolt-on acquisitions.	We will continue to critically appraise opportunities for product expansion and appropriate bolt-on acquisitions.

Measuring and monitoring our performance

We use the metrics included here to ensure that we are on track and making progress against our strategic priorities

Revenue (£ million)



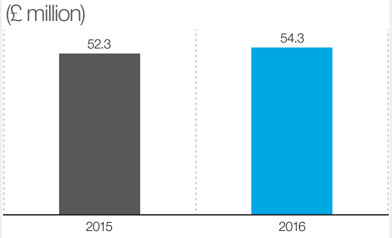
Definition

Revenue represents the sale of our products, net of rebates, discounts and value added taxes.

Performance

Revenue increased by 1.5% in 2016. Sales volumes of bricks, aggregate blocks and precast concrete were all ahead of last year. Excluding the Structherm business, which was disposed of in October 2016, Group revenue grew by 2.3%, from £286.5 million in 2015 to £293.0 million in 2016.

PBT before exceptionals (pro-forma) (£ million)



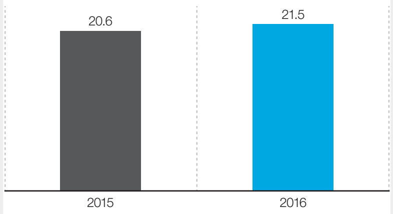
Definition

Profit before tax adjusted for exceptional items, additional costs related to being a stand-alone plc and with finance costs restated to present the debt facility at IPO as if it had been in place throughout both years.

Performance

On a pro-forma basis, profit before tax grew by 3.8% from 2015 to 2016.

EPS (pro-forma) (p)



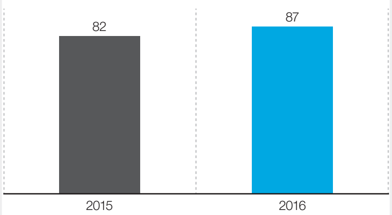
Definition

Basic earnings per share adjusted for exceptional items, additional costs related to being a stand-alone plc and with finance costs restated to present the debt facility at IPO as if it had been in place throughout both years.

Performance

On a pro-forma basis EPS was 4.4% higher than 2015 at 21.5 pence per share.

EBITDA cash conversion (%)



Definition

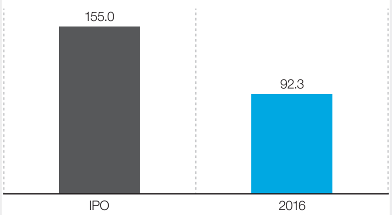
EBITDA cash conversion is calculated as earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA before exceptionals) less capex, over EBITDA before exceptionals.

Performance

The Group has a strong cash conversion history with results greater than 80% of EBITDA for both 2015 and 2016. The current year result shows an increase of five percentage points from the prior year.

Note: In future years operating cash conversion will be used. This measure is not meaningful for 2015 due to inclusion of flows under the previous ownership structure.

Net debt (£ million)



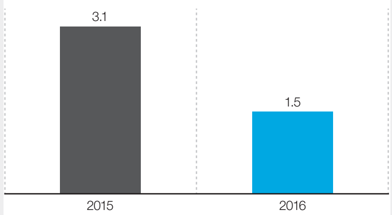
Definition

Net debt comprises the balance of short and long-term borrowings, less cash and cash equivalents.

Performance

Net debt decreased from £155.0 million at IPO to £92.3 million at year end. The reduction in net debt is due to the strong cash generation of the business, helped by an excellent working capital performance and also the timing of the IPO in the last week of April 2016 ahead of cash collections at the end of the month.

Lost Time Incident frequency rate



Definition

Our Lost Time Incident (LTI) frequency rate is calculated using contracted working hours and is stated as a figure per million man hours worked.

Performance

Our LTI frequency rate fell significantly in 2016. This reduction highlights our continued improvements in delivering a safe working environment.

This measure enables us to monitor progress in improving our long-term Health and Safety performance.

Driving efficiency and growth through our strategic objectives

"EBITDA increased by £3.1 million due to higher sales and good control of cost base."

Stephen Harrison
Chief Executive Officer

"The Group achieved a larger than expected reduction in net debt due to the strong cash flow performance."

Shatish Dasani
Chief Financial Officer

Results for the year

Revenue of £294.5 million was 1.5% ahead of last year, reflecting a strong performance in the second half as volumes to housebuilders continued at a good rate, and the de-stocking in the supply chain at merchants and distributors eased towards the end of the year. Sales volumes of bricks, aggregate blocks and precast concrete products were all ahead of last year. As previously reported, sales of aircrete blocks were affected by availability of raw materials during some weeks. The Group achieved low single digit price increases at the start of 2016 as anticipated, but relatively higher sales of some of the lower priced products in our range to volume housebuilders led to an adverse mix variance.

Earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA before exceptionals) of £70.6 million for the year was £3.1 million ahead of the comparable result for 2015. The increase was due to higher sales, lower energy costs and tight control of fixed costs and overheads, offset in part by the adverse sales mix described above. EBITDA margin of 24.0% was ahead of the comparable 2015 margin of 23.3%.

In October 2016, the Group completed the sale of its Structherm subsidiary in order to focus on improving and growing the core businesses of bricks, blocks and other concrete and clay building products. Structherm manufactures structural external wall insulation solutions for residential buildings.

The pro-forma profit before tax and exceptional items of £54.3 million was £2.0 million higher than the comparative for 2015.

Profit before tax on a statutory basis was £37.1 million for 2016 compared with prior year of £22.2 million. Apart from the trading factors described above, there was a higher finance charge in 2015 due to the increased net debt and higher interest rate in place under the previous ownership structure. Exceptional charges totalled £8.9 million in 2016 and £11.6 million in 2015, mainly arising from the costs of separating the business from HeidelbergCement AG and the listing costs relating to the IPO completed in April 2016.

Results for the year

	2016			2015		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue	**221.3**	**74.8**	**296.1**	218.0	73.7	291.7
Intersegment eliminations			**(1.6)**			(1.5)
Revenue			**294.5**			290.2
EBITDA before exceptionals	**63.6**	**7.0**	**70.6**	63.9	6.6	70.5
EBITDA before exceptionals (pro-forma)	**63.6**	**7.0**	**70.6**	61.7	5.8	67.5
EBITDA margin (pro-forma)	**28.7%**	**9.4%**	**24.0%**	28.3%	7.9%	23.3%

Earnings per share and dividend

Earnings per share before exceptionals has also been derived on a pro-forma basis using the profit before tax and exceptional items, effective tax rate for each year and the number of shares in issue at the end of December 2016.

On this basis, EPS was 4.4% higher than 2015 at 21.5 pence per share. EPS on a statutory basis has also been calculated using the number of shares at the end of December 2016 and was 13.8 pence per share for 2016.

As reported in the Chairman's Statement, the Board is recommending a final dividend of 3.8 pence per share, making a total dividend of 5.8 pence for the year. The final dividend will be paid on 6 July 2017 to those shareholders on the register as at 16 June 2017.

Cash flow, borrowings and facilities

Operating cash flow before exceptionals of £69.8 million was £16.0 million higher than 2015, mainly due to a strong trade working capital performance and the inclusion in 2015 of flows arising from the previous ownership structure. The cash generation of the business is weighted more to the second half due to a build-up of working capital earlier in the year. Debtor days on a countback basis reduced from 42 days at December 2015 to 39 days in 2016. Brick inventory levels reduced in the year due to the increase in demand and the measures put in place during the year to balance demand, inventory and utilisation levels.

Capital expenditure for the year totalled £9.1 million and included the successful completion of the expansion work at our Measham facility at the start of the year and the upgrade carried out at our Hams Hall aircrete facility. We have also committed significant investment and resources to upgrade our IT systems across the business.

Cash flow – highlights

	2016 £m	2015 £m
Operating cash flow before exceptional items	**69.8**	53.8
Exceptional payments	**(13.6)**	(3.8)
Cash generated from operations	**56.2**	50.0
Interest paid	**(12.4)**	(26.4)
Tax paid	**(6.3)**	(3.3)
Capital expenditure:		
– maintenance	**(7.4)**	(7.3)
– expansion	**(1.7)**	(5.2)
Dividends paid	**(4.0)**	–
Debtor days	**39**	42

Banking covenants at 31 December 2016

	Requirement	Actual
Net debt: EBITDA (before exceptionals)	<3.5x	1.3x
Interest cover	>4.0x	15.8x

Net debt at 31 December 2016 was £92.3 million compared with £155.0 million at IPO in April 2016. The larger than expected reduction in net debt is due to the strong cash generation of the business, helped by an excellent working capital performance and also the timing of the IPO in the last week of April 2016 ahead of cash collections at the end of the month.

Net debt to EBITDA (calculated with reference to the last 12 months of earnings before exceptionals) was 1.3 times at 31 December 2016 compared with 2.2 times at IPO and ahead of the target set at the time of the IPO to reduce the leverage level to be below 1.5 times. For the purpose of calculating the covenant, the net debt excludes capitalised finance costs in line with the requirements of the Facility Agreement.

Committed borrowing facilities of £180 million were agreed with a group of leading international banks at IPO, comprising a £150 million term facility and £30 million Revolving Credit facility (RCF) expiring in April 2021. At 31 December 2016, only the term loan of £150 million was drawn down and the whole of the RCF remains available for future drawdown. The financial covenants required interest cover to be greater than four times and net debt to EBITDA before exceptional items to be less than 3.5 times at 31 December 2016. The test required that for 2016 the interest cost was calculated by doubling the interest charge for the second half of the year. The Group meets these covenant tests comfortably.

The interest payable on the facilities is set at LIBOR plus a margin ranging from 150bps to 275bps dependent on leverage, with the margin set at 225bps for 2016.

Bricks and Blocks

£221.3m

Revenue

£63.6m

EBITDA before exceptionals

Highlights

- EBITDA increased by £1.9 million on a pro-forma basis
- 40bps improvement in EBITDA margin to 28.7%
- Measham expansion completed successfully
- Changes in sales structure implemented to strengthen relationships with customers

The Group saw a strong increase in brick sales to housebuilders."

Stephen Harrison
Chief Executive Officer

The Group has a unique combination of strong market positions in both clay brick and concrete blocks. It is also the only manufacturer of the iconic and original Fletton brick sold under the London Brick brand. The Group operates nine brick manufacturing facilities across the country with a total production capacity of 570 million bricks per annum. It is also a leader nationally in the aircrete block market selling under the Thermalite brand, operating from facilities at Newbury, and Hams Hall in the Midlands. The aggregate blocks business has a leading position in the important South East and East of England markets with well-located manufacturing facilities at Milton (Oxfordshire) and Whittlesey (near Peterborough).

Revenue increased by 1.5% due to higher brick and aggregate block volumes compared to 2015. There was a strong increase in brick sales to housebuilders, with volumes to merchants and distributors restricted by excess inventory held in the supply chain, though this eased in the last quarter of 2016. Brick imports also reduced during 2016 as anticipated, enabling a higher level of market demand to be satisfied by domestic production. Sales of aircrete blocks were affected by production constraints in some weeks due to the unavailability of pulverised fuel ash (PFA), which is a by-product of coal-fired power stations. Low single digit brick price increases were applied at the start of 2016, in line with expectations, but the positive effect of this was offset by a mix variance arising from higher sales to volume housebuilders.

EBITDA before exceptionals increased on a pro-forma basis to £63.6 million, with margin improving to 28.7%, due to higher sales volumes, lower energy and fixed production costs offset partly by sales mix. Kilns at two of the Group's brick facilities at Accrington and Claughton were temporarily turned off mid-way through the year, and this enabled generally higher utilisation at the other facilities as well as a reduction in inventory levels in the second half. The actions demonstrate the Group's ability to effectively flex production in response to changes in the end market.

In January 2016, the project to increase capacity at the Group's Measham brick facility in Leicestershire was successfully completed on schedule and under budget, resulting in annual capacity at the plant increasing by 22% to 105 million bricks with a capital spend of less than £4 million. This project included extending the length of the kiln and improving product flow-through by eliminating bottlenecks. Whilst there were some teething problems as the plant was restarted following the major work, these have all been resolved and the plant is now fully operational. The Measham facility is state-of-the-art and the most modern and fully automated soft mud brick manufacturing facility in the UK.

Results for the year

	2016 £m	2015 £m	Change
Revenue	**221.3**	218.0	1.5%
EBITDA*	**63.6**	63.9	
EBITDA (pro-forma)	**63.6**	61.7	3.1%
EBITDA margin (pro-forma)	**28.7%**	28.3%	+40bps

* There were no exceptional items relating to the segment in 2015 or 2016.

Refurbishment of one of the kilns at the London Brick (Fletton) plant at Kings Dyke (near Peterborough) was also completed for the start of 2016, enabling an increase in available production capacity. In the last quarter of the year, capital projects were approved totalling £6.5 million at two other brick facilities. At Desford, a project to increase gas supply capacity and install new kiln burners has commenced, with an estimated brick capacity increase of 10 million per annum (c.12%). The project to replace the dryers at Claughton has also been initiated. This will improve the efficiency of the production process and add additional capacity of five million bricks per annum (c.11%). The Claughton kiln was turned off in August 2016, and it is planned to complete the project in the first half of 2017 in order to be in a position to relight the kiln in summer 2017.

The Group continues to progress a number of initiatives to secure supplies of PFA and alternative materials so as to have uninterrupted production of aircrete blocks. Following the successful modernisation and expansion of the facility at Hams Hall in 2015, a further £0.6 million was invested at the plant to enable the use of conditioned (wet) PFA. Output at both the aggregate block plants increased in 2016. There was a strong demand for this product and record output from the two facilities.

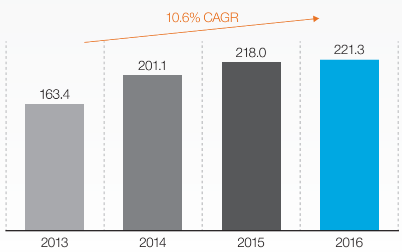
A number of important sales and commercial changes have been implemented during the year in order to strengthen relationships with customers and improve service levels. A new Commercial Director was appointed and a new sales structure introduced to give clear focus on critical market segments. The sales team has been reorganised from individuals selling either bricks or blocks, to area teams selling all products into postcode territories, with an improvement in coverage. The Group has also increased its presence with architects and specifiers by adding further resource in this area. A new system to monitor sales activity on a real time basis has been implemented in order to increase customer service and improve market insight.

The Group operates a dedicated sales and customer service centre for the bricks and blocks business allowing it to respond to customers more effectively and efficiently. Investment has been made in training sales and support staff so that they have a greater knowledge of all the products the Group offers and can continue to provide a high level of customer service.

A dedicated New Product Development team has been established during the year and the product range expanded in order to broaden customer offering utilising the capability of our facilities and people. A number of new brick types were added to the range during the year. It is planned that this will be an ongoing programme of activity, working closely with our customers as well as specifiers and architects.

The Group offers high service levels by operating its own fleet of 125 crane-equipped delivery vehicles to deliver its bricks, aircrete and aggregate blocks to customers. These vehicles account for approximately 60% of total deliveries, with the balance carried out by third party hauliers in order to maximise flexibility and cost-effectiveness. An optimisation tool linked to the sales order processing system is used to ensure efficient scheduling of deliveries, providing visibility of vehicle activity and enabling the team to adapt to changes in customer requirements.

Revenue (£m)



Bespoke Products

£74.8m
Revenue

£7.0m
EBITDA before exceptionals

Highlights

- Underlying revenue (excluding Structherm) increased by 4.7%
- 150bps increase in EBITDA margin to 9.4%
- Record supply of precast concrete T-beams from Somercotes
- Secured key infrastructure and transport project orders

The precast concrete flooring business had a very successful year in 2016."

Stephen Harrison
Chief Executive Officer

The Bespoke Products division focuses on specification-led, made-to-order products comprising: precast concrete, block paving, chimney and roofing solutions, much of which is primarily made-to-measure or customised to meet the customer's specific needs.

Overall revenue for the division grew by 1.5%, due to a strong performance from the engineered precast concrete flooring products. EBITDA before exceptional items increased on a pro-forma basis by £1.2 million to £7.0 million. As described previously, the external wall insulation business Structherm was sold in October 2016. Excluding this business, the underlying revenue growth was 4.7%, and the underlying EBITDA margin for 2016 was 9.7%.

Precast concrete

Precast concrete products are designed, manufactured and shipped nationwide from the Hoveringham and Somercotes facilities. These products cover:

- Hollowcore floors, which are used for upper floors of multi-family and commercial developments, with the majority of floors fitted by the in-house installations team;
- Jetfloor, which is the UK's first system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation. Jetfloor was voted Best Building Fabric at the Housebuilder Product Awards 2015;
- Beam and Block flooring, a traditional and cost effective suspended flooring system for ground floors in domestic and commercial applications;
- A range of concrete retaining walls, culverts, Omnia Bridgedeck, barriers and bespoke products for the housing, commercial, infrastructure and utility markets. The Group's engineers and designers are able to advise on all aspects of a project and are supported by technical specialists to ensure an efficient and effective solution; and
- Standard and bespoke precast concrete staircases and landings which are suitable for both commercial and residential projects.

Results for the year

	2016 £m	2015 £m	Change
Revenue	**74.8**	73.7	1.5%
EBITDA before exceptionals*	**7.0**	6.6	
EBITDA before exceptionals (pro-forma)	**7.0**	5.8	20.7%
EBITDA margin (pro-forma)	**9.4%**	7.9%	+150bps

* Exceptional items relating to the segment comprised a charge of £2.4 million in 2015 detailed in note 4 of the Financial Statements.

The precast concrete flooring business had a very successful year in 2016, with record supply of T-beams aided by utilisation of the additional capacity installed at the Somercotes facility in the previous year. The Somercotes facility also won the contract to design, manufacture and supply the Forterra Omnia Bridgedeck system for Scotland's largest infrastructure project, and designed and supplied the precast units for Ilkeston's new railway station platforms. It has recently secured dual supplier status with the UK's largest retirement homes supplier and has started receiving orders under this new arrangement.

Cost optimisation continues to be a focus at all the plants. At our Hoveringham facility, new casting equipment technology has been installed, resulting in a saving of up to 20% on cement usage in hollowcore flooring.

Formpave

Formpave, based at our Coleford site, designed the UK's first permeable block paving solution almost 20 years ago and continues to be a leading authority in the design and specification of sustainable urban drainage systems ('SuDS') using the Group's permeable block paving.

Products sold under the Formpave brand include:

- Aquaflow SuDS, a patented filtration system that allows rainwater to be filtered and cleaned before being percolated into the ground or a patented attenuation (tanked) system allowing water to be collected and released into watercourses;
- A wide range of high quality precast concrete standard block paving to suit all projects from commercial to domestic applications, offering a selection of colours, block types and finishes, including EcoGranite, which contains up to 77% recycled content, and Chartres, which matches the stone traditionally used in certain heritage sites; and
- A range of kerbs, edging, step systems and transitions suitable for use with conventional block and permeable block paving.

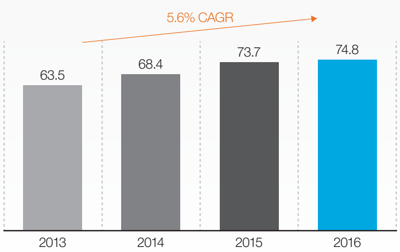
During the year, the business secured preferred supplier status for its permeable paving product from a premium national automotive dealership. In addition, Formpave has made significant progress in the development of its Aquaflow Thermapave system, which combines ground source heat pump ('GSHP') technology with its patented Aquaflow sub-base, to generate sufficient energy to allow the transfer of heat into and out of buildings during cold and hot periods, respectively.

Formpave has also recently commenced a project to install a replacement block press machine which will enable higher production capacity and greater efficiency across its product range.

Red Bank

Red Bank manufactures its products from its facility alongside the Measham quarry and brick facility, producing a comprehensive range of chimney, roofing and flue systems. Products include fire-backs, clay and concrete flue liners (developed to meet the growing demand for flue products to suit modern efficient wood-burning, multi-fuel and gas-fired appliances), chimney pots and ridge tiles and a complete bespoke manufacturing facility to accommodate unique customer requirements.

Revenue (£m)



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Exceptional items

	2016 £m	2015 £m
Transaction costs	(9.1)	(5.2)
Separation costs	(1.3)	(4.0)
Loss on disposal of subsidiary	(0.1)	–
Indemnity payment received	1.6	–
Impairment of intangible assets	–	(2.4)
Total exceptional items	(8.9)	(11.6)

Exceptional items

Exceptional items totalled £8.9 million in 2016 compared with £11.6 million in the previous year.

Transaction costs related to the IPO of the Company completed in April 2016. Separation costs arose from the setting up of the business as a stand-alone entity after divestment from HeidelbergCement AG in 2015 and Forterra Inc in 2016 and included rebranding, set up of stand-alone IT systems, staff recruitment and new office fit out costs. An indemnity payment was received in the year from HeidelbergCement AG relating to previous tax paid prior to separation, and this has been credited as an exceptional item.

"The Group demonstrated strong progress in the year, with solid cash generation and double digit free cash flow yield."

Shatish Dasani
Chief Financial Officer

Finance costs

The total finance costs for 2016 were £14.2 million (2015: £27.3 million).

Since the IPO of the business in April 2016, finance costs relate to the interest and commitment fees in respect of the new debt facilities of £180 million put in place. The interest payable on the facilities is set at LIBOR plus a margin ranging from 150bps to 275bps dependent on leverage, with the margin set at 225bps for 2016. In addition the cost of arranging the facility of £2.9 million is being amortised over the term of the facility.

The Group had a much higher debt level and interest rate during 2015 and for the first months of 2016 up to the IPO.

The pro-forma annual finance cost for 2016 was £5.9 million (2015: £5.8 million) assuming that the debt facility at IPO had been in place throughout the year, and this has been used to calculate the pro-forma profit before tax and earnings per share before exceptional items.

Taxation

The effective tax rate excluding exceptional items is 20.9% (2015: 21.1%). The Group derives substantially all its revenue from the UK and the rate is based on the UK corporation tax rate adjusted for permanent non-deductible items such as depreciation on non-qualifying assets.

The effective tax rate after including exceptional items was 25.9% (2015: 18.7%) due mainly to the non-deductibility of some of the IPO transaction costs.

Pensions

The Group has no defined benefit pension scheme in place, with the legacy liabilities of the previous pension scheme left with HeidelbergCement AG when the business was divested. There is a defined contribution arrangement in place and pension costs for the year amounted to £5.2 million (2015: £4.3 million), with the increase from prior year due mainly to the transition from HeidelbergCement AG and the establishment of a new Head Office during 2015.

Disposal

In October 2016, the Group completed the sale of its Structherm subsidiary in order to focus on improving and growing the core businesses of bricks, blocks and other concrete and clay building products. Structherm recorded sales of £1.5 million (2015: £3.7 million) and an operating loss of £0.1 million (2015: profit £0.1 million) up to the date of disposal. The Group recorded a loss on disposal of £0.1 million as a result of the transaction.

Pro-forma adjustments

The following pro-forma adjustments have been made to enable a proper understanding of the result compared with the prior year:

Pro-forma adjustments	2016 £m	2015 £m
Operating profit (statutory basis)	**51.3**	49.5
Exceptional items (add back)	**8.9**	11.6
Operating profit before exceptionals	**60.2**	61.1
Additional costs in 2016 as a stand-alone plc		(3.0)
Operating profit before exceptionals (pro-forma basis)	**60.2**	58.1
Finance charge (based on debt structure at IPO for full year)	**(5.9)**	(5.8)
PBT before exceptionals (pro-forma basis)	**54.3**	52.3
Tax charge at effective rate	**(11.3)**	(11.0)
Earnings before exceptional items (pro-forma basis)	**43.0**	41.3
Number of shares (millions)	**200.0**	200.0
EPS before exceptionals (pence)	**21.5**	20.6

EBITDA is calculated by adding back depreciation and amortisation to operating profit:

EBITDA	2016 £m	2015 £m
Operating profit before exceptionals (pro-forma basis)	**60.2**	58.1
Depreciation and amortisation	**10.4**	9.4
EBITDA before exceptionals (pro-forma basis)	**70.6**	67.5

Forward looking statements

Certain statements in this Annual Report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements.

We undertake no obligation to update any forward looking statements, whether as a result of new information, future events or otherwise.

Stephen Harrison
Chief Executive Officer

Shatish Dasani
Chief Financial Officer

The Strategic Report on pages 2 to 37 was approved by the Board of Directors on 15 March 2017 and signed on their behalf by Stephen Harrison, Chief Executive Officer and Shatish Dasani, Chief Financial Officer.

An integrated approach towards all our business processes

Commitment to Health and Safety

Forterra is committed to continually improving its occupational Health and Safety standards and performance. The Group recognises that its greatest asset is its workforce and therefore its ultimate aim is to provide a working environment that is free of accidents and ill health. To achieve this the business ensures all relevant legislation and codes of practice are complied with and regularly monitors key performance indicators. Forterra also ensures adequate arrangements are in place for the health, safety and wellbeing of visitors and members of the public that come into contact with our operational activities.

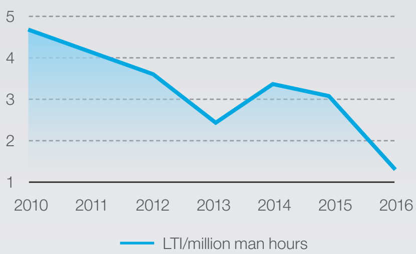
With our aim to have the safest and most engaged workforce possible, we have invested in putting our operational staff through a recognised safety qualification – The Institute of Occupational Safety and Health (IOSH) Working Safely course.

This, combined with our long-standing ambition to put supervisors and team leaders through IOSH's Managing Safely programme, is all part of our continually evolving Health and Safety training strategy.

As a business we recognise the benefits of employee involvement and believe listening to and engaging with the workforce on safety, health and welfare issues will significantly improve our overall Health and Safety performance. For this reason we operate a safety engagement program called Building Safety Together (BST). All plants have an active BST working group who meet regularly to review local safety related data and recent incidents as well as to discuss new safety ideas and initiatives. Findings and feedback from working groups are communicated to the wider workforce through appointed Safety Leaders.

Across the Group, 2016 saw us achieve our lowest ever Lost Time Incident (LTI) frequency rate without a single LTI taking place at any of our brick facilities.

Lost Time Incident frequency rate*



* Calculated using contracted working hours and is stated as a figure per million working hours over a 12 month period.

Recognition awards

2016 saw Forterra receive a number of safety recognition awards. Awards made by the British Ceramic Confederation and the British Precast Association saw us recognised in the areas of wire stressing, quarry safety, haulier traffic management and forklift truck incident reduction.

Prostate Cancer UK

As part of our ongoing Health and Safety strategy we are supporting Prostate Cancer UK, a charity which represents a similar demographic to a large part of our workforce, and which has a simple ambition - to stop men dying from prostate cancer.

Our approach to sustainability

Our target 2010 - 2020

	Reductions to date
Reduce energy use per tonne by 10%	**10.0%**
Reduce carbon emissions per tonne by 10%	**9.7%**
Reduce our waste to landfill per tonne by 85%	**77.4%**
Reduce our mains water consumption per tonne by 25%	**34.1%**

Further information on our performance is available on our website

Greenhouse gas emissions

	2016	2015
Scope 1	**268,530**	270,228
Scope 2	**26,426**	31,483
Intensity Ratio	**0.136**	0.132

At Forterra we understand the importance of sustainability and the contribution our company can make, both in how we operate our production facilities and in the benefits our products can bring to a sustainably built environment.

As a business, we rely on effective management systems to ensure we are looking after our people, are minimising our effect on the environment, and making best use of natural resources. As well as providing a framework for how we manage our sites, these systems are externally audited to provide confidence to stakeholders that we operate to a high standard. Certificates for the following management systems are available on our website.

Our management systems

- ISO 9001 – Quality Management
- ISO14001 – Environmental Management
- BS OHSAS 18001 – Health and Safety Management
- ISO 50001 – Energy Management
- BES 6001 – Responsible Sourcing of Construction Products

These systems require us to set objectives and targets in order to show continual improvement in key areas. We have selected a period of 2010 – 2020 to deliver these objectives and targets, a summary is shown above. Each of our sites has a management programme to support these targets.

By applying life cycle thinking to our products and processes, we are working to reduce our environmental footprint and become less resource intensive. We take our social responsibility seriously and protect those people working on our sites to ensure they go home unharmed at the end of their shift. We also work with our local communities to ensure we are a good neighbour, for example, we are looking at quarry restoration programmes to enhance the areas surrounding our factories.

Our delivery fleet operates to the highest standards. We utilise the latest logistics planning software and ensure our drivers are aware of their ability to influence vehicle emissions.

Within the built environment, we provide products to help construct thermally efficient buildings that help reduce heating costs and provide a high level of comfort.

We also have products to help protect against flooding from permeable paving systems, attenuating water discharge through to flood defence systems.

Greenhouse gas (GHG) emissions

As a business, we collect direct and indirect fuel consumption data on a monthly basis. We use the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the latest 'Defra' published CO_2 emissions conversion factors to measure our GHG emissions.

Scope 1 covers our direct emissions, including fuels and raw materials; Scope 2 covers our indirect emissions such as purchased electricity. We have also reported emission intensity based on our production output (see table above). Emissions intensity is heavily influenced by product mix. During 2016, we increased production at two of our most carbon intensive plants compared to 2015, thus leading to a small increase in our intensity ratio.

Kings Dyke Nature Reserve

Whittlesey

The award winning King's Dyke Nature Reserve was established in 1995, for the benefit of local schools and residents. The reserve has been extended on a regular basis and now covers approximately 70 hectares and is home to a large range of wildlife. The reserve also supports a purpose built fossil hunting area which is regularly topped up with fossil bearing material from the quarry.

People

Equality and diversity

As a business we recognise that diversity helps our business to grow and succeed.

Employing over 1,500 people we are committed to the creation and support of a truly diverse working environment with opportunities for all.

People are vital to the continuity, growth and success of our organisation and we are committed to applying our equal opportunities policy at all stages of recruitment and selection. Shortlisting, interviewing and selection will always be carried out without regard to gender, sexual orientation, marital status, race, nationality, religion or belief, disability, age, pregnancy/maternity leave or trade union membership.

Should an employee become disabled after commencing work for Forterra, we will do everything we can to help them continue in their role. When that is not possible, we will support them with appropriate training for other suitable employment either within Forterra or elsewhere. This forms part of our commitment to ensuring Forterra is a company where discriminatory practices and behaviours are eliminated.

We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or within our supply chain. We are supporters of the Living Wage Foundation and pay all employees above the Living Wage. The charts below show our diversity statistics.

Employment programmes

Our industry needs a workforce for the future and during 2016 we introduced a number of schemes to help us with succession planning/employment for the future:

Apprentices

Apprenticeships are a great way for young people to gain the skills they need for a career whilst being in paid employment. At Forterra our apprenticeship scheme covers all fields of engineering. It is a one year residential course set in the heart of Birmingham, followed by two years of work-based training at one of our UK facilities. After completing the programme students graduate with a NVQ Level 3 Certificate qualification, as well as hands-on experience working with an industry leader.

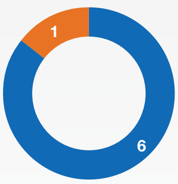
Graduates

Our two year Graduate Scheme is made up of four six month secondments with a clear career path, mentoring and tailored projects, as well as multi-discipline experience, from factory floor to management meetings.

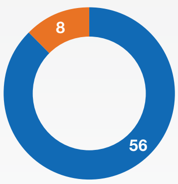
Employee engagement

We place emphasis on communication and ensure that employees are well informed about business activities and also have the opportunity to communicate their views to management. We have established an employee forum and also undertake an annual employee survey.

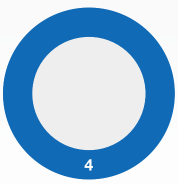
Directors of the Company



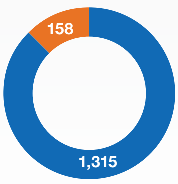
Total senior managers excluding Directors



Other members of Operating Board



Other employees of the Group



	Year end total
Male	1,381
Female	167

Frontline to Forterra

Robert Torrance, Mechanical Engineer

We have teamed up with the Career Transition Partnership (CTP) who assist with the change from serving in the military to civilian life. The CTP helps serving members of the Royal Navy, Army, Air Force and Marines find resettlement support, career transition advice and training opportunities.

Robert joined Forterra when he saw the role of Mechanical Engineer advertised on the CTP website while still serving in the Army. He decided to apply and following a two week trial he was brought on board.

"I'd spent half my life in the Army," said former Royal Electrical and Mechanical Engineer (REME) Robert, 44, "and served around the world, from Afghanistan to Bosnia to Northern Ireland to Kuwait, and although I'm based in one location now I'm still working in a constantly challenging environment and having to use a lot of the same skills."

"Forterra have been great, as they saw that I was highly motivated and experienced, and recognised that the skills I'd learned as a REME were transferable to their concrete facility in Somercotes. I'm really enjoying working here, and am learning new skills every day."

Community

At Forterra we realise that to be a successful business, community involvement is essential. It is important to us that we have a positive social, environmental and economic impact on the neighbourhoods we work in. By understanding local issues and needs, we can contribute to engaged communities.

In 2016 we supported in excess of 30 different causes, primarily focusing on local charities where the effect of donations is much more significant and visible.

We regularly engage with local educational facilities by supplying product to colleges to encourage the next generation of builders, and during the year we donated tens of thousands of bricks to SkillBuild, a national bricklaying competition organised by The Construction Industry Training Board.

A new initiative was our support of Northamptonshire's Community Safety Partnership. By providing a heavy goods vehicle and support staff we were able to help teach local children about the dangers of large vehicles, such as blind spots and stopping distances.

We have also worked with the local emergency services in Cambridgeshire to supply safety signage near our quarries. Similarly, we have installed community signs near many of our sites to highlight the presence of defibrillators.

Our staff are also supported and encouraged in their fundraising activities, with access to both a community fund and charity match scheme.

1. Heart Link Children's Charity
2. Grantham College's Construction Skills Centre
3. School visit to Kirton brick plant
4. Road Safety talk at Pye Green Academy
5. Balderton Cricket Club sponsorship
6. Wheelchair fund for Rico Dunworth

Must Farm

Uncovering a 3,000 year old Bronze Age settlement

This joint Forterra and Historic England project was undertaken by the Cambridge Archaeological Unit and gave rise to international acclaim. The dig captured media headlines around the world, after revealing a 3,000 year old Bronze Age settlement, dubbed the 'British Pompeii'.

The team of archaeologists uncovered the best-preserved Bronze Age settlement ever excavated in Britain which was destroyed by a major fire that caused the dwellings to collapse into a river, preserving their contents in amazing detail. Forterra made a large financial commitment to support this important scientific work, and the results have been of huge historic importance.

Identifying and prioritising our key risks

The Board recognise that successful risk management is essential to meeting the Group's strategic priorities and aligning the Group's interests with those of our shareholders

Developing our risk management process

The table below summarises the early steps being taken on the Group's risk management journey.

Where we are	What we've achieved this year	Priorities for 2017
Establishing Audit and Risk Committees, influencing the Group's operations, determining risk appetite and establishing priorities.	The Board has set-out the terms of reference of the Audit and Risk Committees and appointed members. Both Committees met in 2016, set the tone for Group risk and audit strategies and oversaw activities undertaken to date.	The Group will continue to focus on developing its internal control environment, reducing exposure to risk in key risk areas and giving the right level of focus to health, safety and environment.
Formalising the Group's risk assessment and monitoring methodology and embedding risk management into the organisational culture.	The Group has developed a key risk register and is tracking risks identified whilst also monitoring emerging risks. The Risk Committee has reviewed the key risks identified, the potential impact on KPIs and the mitigating actions that are being taken.	The Group will continue to regularly review key risks, assess risk exposure and monitor how risks evolve. Risk owners will be a crucial part of this process, continuing to provide the bottom-up and top-down assessments of all risks.
Establishing an internal audit function.	The Group has appointed a Head of Internal Audit to direct the work of a co-sourced internal audit partner. PwC have been appointed in this role following a comprehensive selection process. An initial 18 month internal audit plan has been developed and implementation of the plan has commenced.	The Group is tracking actions in response to the internal audit recommendations, scoping additional audits where emerging risk is identified and planning for the further audits scheduled in the internal audit plan.
Tracking internal control activities through a self-assessment reporting process.	The Group is developing and rolling-out internal control self-assessments across all business locations and the majority of functions. Internal control issues have been challenged and procedural improvements have been made in response, where necessary.	The Group is tracking effectiveness and completeness of internal control self-assessments in a number of areas and progressing with the development of self-assessments for functions not yet covered.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have conducted a review and assessed the prospects and viability of the Group.

Although the Directors have no reason to believe that the Group will not be viable over a longer period, the Board has chosen to conduct this review for a period of three years. The Group believes that this is an appropriate time frame as it aligns with the Group's strategic and financial planning horizon.

The Directors have taken account of financial forecasts for the three year period following the balance sheet date, comparing future funding requirements with committed external borrowing facilities. The Directors confirm that they have a reasonable expectation that the Group will continue in operation, meet liabilities as they fall due and will not breach covenants in this period.

In support of the viability statement that the Directors make, the Directors have stress tested the three year financial forecasts by assessing the potential impact that the principal risks facing the Group could have on these financial forecasts. This assessment reflected the Directors judgement as to the net potential financial impact of these risks and the likelihood of principal risks occurring.

Key Risks and Uncertainties

The Board, in adopting a sustainable approach to risk management and internal control, has identified the key risks and uncertainties currently faced by the Group

Our strategic objectives are:

1 Embed manufacturing excellence
2 Align capacity and utilisation to market conditions
3 Deliver operational efficiency
4 Product and service innovation
5 Product range enhancement

Key risks and uncertainties

The table below summarises the Group's key risks and uncertainties (not listed in order of priority) and how we respond to them.

Risk:	Potential impact on KPIs:	How we respond:	Link to strategy
1 **Economic conditions**	The Group's business could be adversely affected by general economic and global financial market conditions. Demand for the Group's products is closely correlated with residential and commercial construction activities which are influenced by these conditions.	The Group reviews and monitors business performance, market data and industry forecasts in detail on an ongoing basis. The Group has built a strong track record of reducing costs rapidly and flexing the utilisation of capacity in the event of a downturn, whilst continuing to manage assets and human resources to take advantage of increases in demand. The broad range of products provided by the Group through different distribution channels and the strong customer relationships built up over many years also provide some resilience.	1 2
2 **Government action and policy**	The general level of residential and other construction activity is partly dependent on the UK Government's policies to encourage housebuilding initiatives and investment in public housing. Changes to government policy or planning regulations could adversely affect the Group's business.	The Group participates in trade associations and attends events to monitor and influence changes in government policy. It also maintains a model of future demand for its products using independent forecasts of activity so as to anticipate future changes.	1 2
3 **Customer relationships and reputation**	The Group receives a significant portion of its revenue from key customers. Should a customer relationship deteriorate there is a risk to revenue and cash flow.	The Group has long-standing relationships with major customers and maintains these through an ongoing commitment to quality, service and having an appropriate product offering. Some of the Group's leading customers are builders' merchants which represent a distribution channel into thousands of end users. The Group is also taking positive steps towards broadening the customer base through reorganisation and refocusing of the sales team.	2 4 5
4 **Cost and availability of raw material**	Availability of raw materials can vary at times and where shortages exist the Group is susceptible to significant increases in the price of raw materials, utilities, fuel and haulage which poses a threat to operational efficiency, capacity and financial performance and position.	The Group's production plans are developed collaboratively by Operations and Commercial teams to facilitate effective stock management and procurement processes. The Group has taken a range of positive steps to ensure a more consistent supply of certain key raw materials, consistently seeks to develop supplier relationships and forward purchases certain supplies where possible.	1 3 4

Risk:	Potential impact on KPIs:	How we respond:	Link to strategy
5 **Business disruption**	Material disruption at one of the Group's facilities or quarries could prevent the Group from meeting customer demand.	The Group's production plans are developed to maintain a sufficient buffer level of key products and a proactive maintenance regime is followed to minimise the risk of breakdown.	1 3 4
6 **IT infrastructure and systems**	Disruption or interruption to the IT and communications systems could have a material adverse impact on performance and position.	The Group is making an investment in IT through upgrading a number of its financial platforms and interfacing systems that are currently disparate. It is also using external service providers to access specific IT expertise and developing a cyber strategy based on the results of penetration testing. Existing disaster recovery plans are being reformulated and tested on an ongoing basis.	3 4
7 **Business continuity**	Group performance is dependent on a number of key centralised functions operating continuously. Should these centralised functions fail, there is a risk that product cannot be delivered to customers to meet demand, which could have a material adverse impact on performance and position.	The Group has developed a business continuity plan through 2016 and early 2017 to address threats to the centralised customer service, IT and finance functions. The Group will continue this work through 2017, focusing on threats to business continuity at specific operational facilities.	1 3
8 **Health and Safety**	Group employees work in manufacturing environments where heavy machinery and moving parts are present. There is a risk of injury which the Group takes very seriously. Lost Time Incident frequency rate is a critical KPI that is monitored at all levels in the business on an ongoing basis.	The Group has a well-established approach to Health, Safety and Environment and a strategy which is aligned to the Health and Safety Executive's 'Helping Great Britain work well' initiative. The Group targets a working environment that is free of accidents and ill health and has a robust policy covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review. The Group promotes a number of ongoing initiatives to highlight hazards, promote best practice and undertake on-the-spot risk assessments.	1 2 3

Our strategic objectives are:

1. Embed manufacturing excellence
2. Align capacity and utilisation to market conditions
3. Deliver operational efficiency
4. Product and service innovation
5. Product range enhancement

Risk:	Potential impact on KPIs:	How we respond:	Link to strategy
9 **People training and development**	The Group recognises that its greatest asset is its workforce and a failure to attract, retain and develop talent will be detrimental to Group performance.	The Group has reviewed key activities and the people undertaking these activities to determine where key person dependencies and skills gaps exist. Following these reviews the Group has started to develop succession, talent acquisition, retention and training and development plans.	1 3 4
10 **Product quality**	Failure or perceived failure of Group products could lead to a range of claims related to product defects. Such claims could have a detrimental effect on Group performance, reputation and existing relationships with customers.	The Group has comprehensive quality control processes across all products and sites, and reports quality control findings and monitors progress at an executive level regularly.	1 3 4
11 **Financial risk management**	The Group's activities and financial arrangements create exposure to a number of financial risks which could impact Group performance and position. Foreign exchange risk exists on foreign currency purchases, credit risk exists as customers may not be able to settle amounts owing to the Group, liquidity risk could result in the Group not being able to meet obligations as they fall due and interest rate risk could result in increased finance costs.	The Group closely manages financial risks and takes steps to reduce risks where necessary. Foreign exchange risk: Large foreign currency purchases are managed by the Group Treasury function. Foreign exchange forward contracts and options are arranged with terms timed to match the settlement of obligations to mitigate this risk. Credit risk: The Group Credit Control function manage the risk of customer default and apply appropriate credit limits to mitigate credit risk. Liquidity risk: The Group manages daily cash flow and forecasts daily requirements over the Group working capital cycle to mitigate liquidity risk. The cash-generative operations of the Group and committed facilities are sufficient to mitigate liquidity risk for the foreseeable future. Interest rate risk: The Group monitors interest rate risk on an ongoing basis and reviews options to hedge part of the variable rate risk.	3
12 **Environmental issues**	Some of the Group's activities have an impact on the environment and where this impact is not managed appropriately there is a risk to the reputation, position and performance of the Group.	The Group strives to minimise the impact that its activities have on the environment and takes particular pride in land restoration and waste reduction initiatives. The Group Land and Minerals, Environment and Finance departments manage activities to ensure that operations are permitted, sympathetic to the environment and future liabilities are provided for appropriately.	1 3 4

We have a strong and experienced leadership team

Paul Lester CBE
Non-Executive Chairman

N* R* RK

Appointed
11 April 2016

Paul was appointed as a consultant to the Board of Forterra Building Products in August 2015 and was appointed as Independent Non-Executive Chairman of the Company and chair of the Remuneration and Nomination Committees in April 2016.

Paul has over 30 years of experience at senior management or director level of businesses. Previously, Paul was Chief Executive of support services company VT Group Plc, Group Managing Director of Balfour Beatty plc and Non-Executive Director of Invensys plc. Paul has held numerous Board and senior management positions at other engineering and support service companies.

Paul holds a Bachelor of Science with honours in Mechanical Engineering and a diploma in Management Studies from Nottingham Trent University. Paul is a Chartered Engineer, is Fellow of the Institution of Mechanical Engineers and is a member of Her Majesty's Major Projects Review Group. Paul was awarded a CBE in 2008.

Other Directorships
Non-Executive Chairman of Knight Square Holdings Limited, Greenergy International Limited, the John Laing Infrastructure Fund and Essentra plc.

Stephen Harrison
Chief Executive Officer

RK

Appointed
21 January 2016

Stephen joined Hanson plc in October 2002 and held a variety of senior management roles within Hanson and the HeidelbergCement Group. Stephen was appointed Managing Director of Hanson Building Products in August 2012, was appointed as a Director of the Company in January 2016 and was formally appointed as Chief Executive Officer of Forterra plc at IPO in April 2016. Stephen studied Economics at Kingston University in London and holds a Masters in Business Administration from Cranfield School of Management.

Other Directorships
Stephen is an Officer of the Construction Products Association and a Director of the Brick Development Association.

Shatish Dasani
Chief Financial Officer

RK

Appointed
21 January 2016

Shatish joined Forterra as Chief Financial Officer in December 2015 and was appointed a Director of Forterra plc upon incorporation in January 2016. He has over 20 years of global experience in senior finance roles within different industries including building materials, business services, manufacturing and electronics. Notable appointments include Chief Financial Officer of TT Electronics plc, Group Financial Controller of De La Rue plc and Chief Financial Officer of Blue Circle South America based in Chile. Shatish has also been alternate Non-Executive Director at Camelot Group plc and Public Member at Network Rail plc. Shatish is a qualified Chartered Accountant and holds a degree in Mathematics from Oxford University and a Master of Business Administration degree from London Business School.

Justin Atkinson
Senior Independent Non-Executive Director

A* R RK N

Appointed
11 April 2016

Justin has over 20 years of experience at senior management or director level of businesses, including those in engineering and all types of construction, including residential and commercial markets. Between 1990 and 2015, Justin held various roles within Keller Group plc, and became Chief Operating Officer in 2003 and Chief Executive Officer in 2004 until 2015. Previously, Justin was a Financial Manager at Reuters plc and trained as a Chartered Accountant at Deloitte Haskins & Sells (Scotland) (now part of PwC). Justin is a qualified Chartered Accountant, holds a Bachelor degree in Accountancy from Glasgow University and the advanced management programme qualification from INSEAD.

Other Directorships
Senior Independent Non-Executive Director for Kier Group plc, Non-Executive Director of Sirius Real Estate Limited and member of the Audit Committee of the National Trust.

Divya Seshamani

Independent Non-Executive Director

RK* N A R

Appointed

11 April 2016

Divya has over 16 years of experience at senior management or director level of businesses, including those in investment, infrastructure, energy, sustainability and manufacturing. Previously, Divya was an independent Non-Executive Director at Marine Current Turbines Limited, a Council Member of the Royal Institute of International Affairs (Chatham House) and worked in the global infrastructure group at the Government of Singapore Investment Corporation. Divya has also held principal roles at Unilever Ventures Limited and The Parthenon Group. Divya holds a Bachelor of Arts degree and Masters of Arts degree in Politics, Philosophy and Economics from Oxford University and a Master of Business Administration degree from Harvard University.

Other Directorships

Managing Partner of Greensphere Capital LLP. Director of Greensphere Biomass 1 Limited and Duranta Energy Limited.

Bradley Boggess

Non–Executive Director

N

Appointed

22 March 2016

Brad has been appointed as one of the Lone Star Directors pursuant to the terms of the Relationship Agreement. Brad has over 20 years of experience at senior management or director level of businesses, including those in investment, retail, financial services and manufacturing. Formerly, Brad was Chairman of the Board of Continental Building Products, Inc. a NYSE listed entity and of Southeastern Grocers LLC, and on the Board of Directors of DFC Global Corp., Del Frisco's Restaurant Group, Caliber Home Loans, Home Properties and Sterling Holdings Ltd. Brad was an Armor Officer in The United States Army and holds a Bachelor of Science degree in Management from Tulane University in New Orleans, Louisiana.

Other Directorships

Managing Director and Chief Administrative Officer of Hudson Advisors L.P., an affiliate of Lone Star Funds.

Richard 'Chip' Cammerer Jr.

Non-Executive Director

Appointed

22 March 2016

Chip has been appointed as one of the Lone Star Directors pursuant to the terms of the Relationship Agreement. Chip has over 20 years of experience within the commercial and investment banking industry, holding various roles with RBC Capital Markets, Deutsche Bank and Citi advising corporate clients and Boards on a range of strategic and financial transactions. Chip holds a Bachelor Degree in Business Administration (finance) from Southern Methodist University and a Master of Business Administration degree from Vanderbilt University with a dual concentration in Finance and Accounting.

Other Directorships

Managing Director of Hudson Americas, L.P., an affiliate of Lone Star Funds. Director of Southeastern Grocers LLC, A Wireless, DFC Global Corp and Arclin Inc.

Benjamin Guyatt

Company Secretary

Appointed

22 March 2016

In addition to his role as Company Secretary, Ben is also a member of the Operating Board and holds the role of Director of Finance. Along with financial responsibilities his role also includes business development. Ben joined Hanson plc in 2006, and held a variety of senior finance and strategy roles within Hanson and HeidelbergCement. Previously Ben held financial management roles at Heath Lambert. Ben is a qualified Chartered Accountant and holds a Bachelor of Arts degree with honours in Accounting and Finance from the University of the West of England.

Committee membership

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- RK Risk Committee
- * Denotes Committee Chairman

Our Operating Board

Stephen Harrison
Chief Executive Officer

See Stephen Harrison's biography:
Page 38

Shatish Dasani
Chief Financial Officer

See Shatish Dasani's biography:
Page 38

Benjamin Guyatt
Director of Finance and Company Secretary

See Ben Guyatt's biography:
Page 39

Matthew Clay
Managing Director, Bespoke Products

Matthew joined Hanson plc in 2004 as European IT Director and was appointed as Managing Director of Design Solutions (now Bespoke Products) of Hanson Building Products in February 2011. Prior to joining the Group, Matthew held senior IT roles at MITIE Group plc and FirstGroup plc. Matthew holds a Bachelor of Science with honours degree in Physical Electronic Engineering with Professional Studies from Lancaster University, is a Chartered Engineer and member of the Institute of Engineering and Technology and is President of the British Precast Concrete Federation.

Adam Smith
Commercial Director

Adam joined the Group in March 2016 as Commercial Director. Prior to that, Adam was National Sales Director at Jewson, Sales and Marketing Director at Tata Steel and held the role of Managing Director, as well as various other senior management positions, at Corus Colorsteels. Adam holds a Master of Business Administration degree from Warwick Business School and a Bachelor of Science with honours degree in Physics from Manchester University.

George Stewart
Operations Director

George joined Forterra in 2013 as Operations Director. Prior to that, George was UK Industrial Director for Monier Redland UK Limited, and held a number of senior operations roles, including with Nestle UK, Smith and Nephew Medical and Motorola UK. George holds a Bachelor of Science with honours degree in Chemical and Process Engineering from the Heriot-Watt University, Edinburgh.

The Board is committed to achieving the highest standards of corporate governance and following the IPO we have already made significant progress in adopting an appropriate listed company governance regime."

Paul Lester CBE
Chairman

Dear Shareholder

This has been an exciting and challenging year as we moved from private to public ownership following the IPO in April 2016. The Corporate Governance Statement, together with the reports of the Remuneration, Nomination, Audit and Risk Committees on pages 46 to 69 describe how Forterra has implemented a corporate governance framework appropriate to that of a listed company and explains how we have applied the principles of the UK Corporate Governance Code 2014 issued by the Financial Reporting Council (the Code) and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority handbook (DTR) since our admission to trading on the London Stock Exchange.

Compliance with the Code

The purpose of the Code is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. The main principals of the Code set out standards of practice for the Board in relation to leadership, effectiveness, accountability, remuneration and its relationship with shareholders.

Certain provisions of the Code do not apply to smaller companies defined as those, like Forterra, outside of the FTSE 350. The Board is committed to achieving the highest standards of corporate governance and it is our intention to be fully compliant with the Code within a reasonable time frame. This report highlights not only where the Company is not fully compliant with the Code as applicable to smaller companies but also, consistent with the Board's commitment to achieve full compliance with the Code, identifies the further areas where, at present, the Company falls short of full compliance with the Code as it applies to large companies.

The Company has complied with the Code applicable to smaller companies for the part of the year since listing with the following exceptions detailed on the following page. It should be noted that as the Company listed part the way through the year it would not be practical to have met certain requirements which the Code stipulates should take place annually.

Compliance with the UK Governance Code

Mandatory requirements

Governance Code provision	Description	Comments
C.2.3	The Board should monitor the Company's risk management and internal control systems and at least annually carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls including financial, operational and compliance controls.	Immediately prior to Admission the Board approved a detailed Financial Position and Prospects (FPP) report. This report contained a detailed review and appraisal of the Group's governance structure, controls and procedures such that the Directors can be confident a reasonable basis exists to allow them to make proper judgements on an ongoing basis as to the financial position and prospects of the Group. The Board have responded to a number of suggested improvements to the Group's risk management and internal control systems and has made immediate improvements where necessary and will seek to make further enhancements moving forward. The Risk Management section of the Annual Report on page 34 highlights the principal risks faced by the Group along with the key mitigating controls. The Audit and Risk Committees will monitor these controls throughout the year and will report to the Board on their effectiveness. As the Company has been listed for less than a year it is not practicable to have complied with all of the Code's recommendations in respect of tasks which should be undertaken on an annual basis. In this instance, significant enhancements were made to the Group's risk management and internal control systems before and subsequent to Admission and as such it is too soon to undertake a meaningful review of their effectiveness. Therefore, the Board did not conduct a formal review of the Group's risk management and internal control systems in 2016 and as such was not fully compliant with the recommendations of the Code in this respect. **Action taken to achieve compliance** The Board, assisted by the Audit and Risk Committees, intends to conduct a formal review of the Company's risk management and internal control systems in accordance with the FRC's guidance on Risk Management, Internal Control and Related Finance and Business Reporting during 2017.
D.2.1	The Company Chairman may be a member of but not chair the Remuneration Committee.	The Remuneration Committee is currently chaired by the Chairman of the Board, Paul Lester. The Board considers that Paul Lester currently has the necessary experience and skill to chair the Committee. The Committee also includes two experienced independent Non-Executive Directors. **Action taken to achieve compliance** It is the intention of the Board to comply with this provision along with the recommendation that the Remuneration Committee comprises at least three independent Directors within a reasonable time frame. A key requirement specified in the criteria for the selection of additional Independent Non-Executive Directors is for the appropriate skills and experience to serve upon and chair the Remuneration Committee. As a small company the Code recommends that the Remuneration Committee comprises two independent Directors hence in this respect the Company is currently compliant.

In addition, the Board has identified the following areas where the Company is compliant with the requirements of the Code applicable to smaller companies but is not compliant with full requirements of the Code applicable to companies within the FTSE 350. The Code encourages smaller companies to comply with the Code in full although it is not mandatory. The Board is committed to implementing the highest standards of corporate governance and has committed to achieving full compliance with the Code within a reasonable time frame.

Best practice

Governance Code provision	Description	Comments
B.1.2	Except for smaller companies at least half the Board excluding the Chairman should comprise Non-Executive Directors determined by the Board to be independent.	On Admission and at the year end the Board comprised seven Directors including the Chairman who was considered independent on appointment, two Independent Non-Executive Directors and two Non-Executive Directors who are not considered to be independent for the purposes of the Code by virtue of their appointment to the Board by Lone Star Funds. **Actions taken to achieve compliance** As explained in the report of the Nomination Committee a search and selection process has been initiated to identify suitable Independent Non-Executive Directors for future appointment to the Board.
C.3.1	The Board should establish an Audit Committee of at least three or, in the case of smaller companies, two, independent Non Executive Directors.	**Actions taken to achieve compliance** On Admission and at the year end the Audit Committee comprised two independent Non-Executive Directors. The Board intends to recruit additional independent Non-Executive Directors and in turn appoint at least one further member to the Audit Committee within a reasonable time frame.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the ordinary shares which is based on, and is at least as rigorous as, the Model Code as previously published in the Listing Rules. The code adopted will apply to the Directors and other relevant employees of the Group.

The Board

The Board has overall responsibility for the management of the Company in order to maximise shareholder value. The Board sets the Company's strategic aims and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. It is the role of the Board to ensure the operation of a framework of operational, financial and regulatory internal controls which enables risk to be assessed and managed.

Summary of matters reserved for the Board

The Board has a formal schedule of matters reserved for its decision which is summarised below. This document was approved by the Board on 11 April 2016.

- Approval of the Group's long-term objectives and commercial strategy;
- Approval of the Group's business plans, operating and capital budgets;
- Approval of the annual and half year accounts;
- Changes in the Group's capital or financing structure;
- Approval of significant transactions including acquisitions and disposals;
- Approval of the dividend policy and any changes thereto;
- Ensuring the maintenance of a sound system of internal control and risk management;
- Board appointments and succession planning and setting terms of reference for Board Committees; and
- Approval of Remuneration Policy and remuneration arrangements for the Directors and other senior management.

To assist in discharging its responsibilities the Board is supported by specialist Committees established by the Board in compliance with the Code. The Board has established four Committees, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. The terms of reference of each of these Committees was approved by the Board on 11 April 2016. The Board believes each of the Committees has the necessary skills and resources to fulfil its brief and each of the Committees has access to appropriate legal and professional advice where necessary.

The Audit Committee report on pages 46 to 49 outlines how the Board has applied the Code in respect of financial reporting and internal controls. The Risk Committee report on page 51 explains how the Board has applied the Code in respect of risk management. The Nomination Committee report on page 50 outlines the Board's approach to Board development. The Remuneration Committee report on pages 52 to 69 provides comprehensive detail of the Remuneration Policy to be voted upon at the Annual General Meeting along with details of the Directors' remuneration received in the year.

Day to day management and implementation of strategies approved by the Board is delegated to the Operating Board which comprises six senior managers including two Executive Directors. Membership of the Operating Board along with biographies are outlined on pages 40.

Division of responsibilities

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer.

The Code recommends that a UK listed company's chairman be independent on appointment. The Board considers that the Chairman, Paul Lester, was independent on appointment. The Chairman's role is to ensure good corporate governance. His responsibilities include leading the Board, ensuring the effectiveness of the Board in all aspects of its role, ensuring effective communication with shareholders, setting the Board's agenda and ensuring that all Directors are encouraged to participate fully in the activities and decision-making process of the Board.

Stephen Harrison, the Chief Executive Officer, assisted by senior management is responsible for the day-to-day operational and commercial management of the Group including the implementation of strategies and policies approved by the Board.

Senior Independent Director

The Code also recommends that the Board should appoint one of the independent Non-Executive Directors as the Senior Independent Non-Executive Director and Justin Atkinson has been appointed to fulfil this role. The Senior Independent Non-Executive Director is available to shareholders if they wish to discuss the governance of the Company or any other matter and Justin Atkinson met with a number of major shareholders in this capacity in early 2017.

Re-election of Directors

The Company's Articles of Association contain certain powers of removal, appointment, election and re-election of Directors and provide that each Director should retire at the Annual General Meeting if they had been a Director at each of the two preceding Annual General Meetings and was not reappointed by the Company in general meeting at or since such meeting. A retiring Director shall be eligible for reappointment. In practice it is intended that all Executive and Non-Executive Directors will retire and put themselves forward for re-election annually at each Annual General Meeting and as such all Directors will stand for re-election at the 2017 Annual General Meeting.

On appointment, Board members, in particular the Chairman and Non-Executive Directors, disclose their other commitments and agree to allocate sufficient time as necessary to the Company in order to discharge their duties effectively. The current external commitments of the Board are shown on pages 38 and 39. Any conflicts of interest are dealt with in accordance with the Board's conflict procedures.

Board evaluation

As the Company listed relatively recently and as explained in the compliance statement, a formal Board evaluation process as required by the Code has not been carried out in the year under review. The Board intends to carry out a full internal review of its effectiveness along with that of its Committees during 2017. It is the intention of the Board that an independent evaluation of the Board and its Committees will be carried out at an appropriate time and in any case within three years as recommended by the Code.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests which conflict with those of the Company. The Board has adopted procedures as provided for in the Company's Articles of Association for authorising existing conflicts of interest and for the consideration of, and if appropriate, authorisation of new situations which may arise. The Company maintains a conflict register to be reviewed by the Nomination Committee at least annually. Currently the only situations authorised and listed on the register are the Directors holding Directorships and other similar appointments in companies or organisations not connected with the Company where no conflict of interest has been identified.

Directors' and Officers' insurance

The Company maintains Directors' and Officers' liability insurance policies to cover against legal proceedings taken against its Directors and Officers acting in their capacity as such. The Group has also granted indemnities to its Directors to the extent permitted by the law in respect of liabilities incurred as a result of their office. Neither the insurance cover or the indemnities would provide any coverage in the event that a Director is proven to have acted fraudulently or dishonestly.

Shareholder engagement

The Chief Executive Officer and Chief Financial Officer meet regularly with major shareholders and work together with the joint Brokers to ensure there is effective communication with shareholders on matters such as governance and strategy. As part of the Group's investor relations programme, meetings with major shareholders are scheduled to discuss the Group's interim and full year results. The Chairman is available to meet major shareholders on request, and the Senior Independent Director recently met with a number of major shareholders.

Relationship agreement

For as long as Lone Star Funds qualifies as a 'controlling shareholder' according to the Listing Rules of the Financial Conduct Authority (LR 6.1.2A) the Company is required to have in place a written legally binding agreement which is intended to ensure that Lone Star Funds complies with the independence provisions set out in LR 6.1.4D.

On 21 April 2016, the Company and the controlling shareholder, LSF9 Concrete UK Limited, a company under the control of Lone Star Funds, entered into a relationship agreement (the 'Relationship Agreement') which regulates the ongoing relationship between the Company and the controlling shareholder and its associates. For the purposes of the Relationship Agreement, the associates of the controlling shareholder are certain subsidiaries of Forterra Inc, a Company listed on the NASDAQ exchange, in which Lone Star Funds also hold a controlling shareholding. On 26 May 2016 LSF9 Concrete UK Limited transferred its shareholding in the Company to another company, LSF9 Concrete II Limited also under the control of Lone Star Funds and on this date a new relationship agreement was entered into with this company on identical terms as the initial Relationship Agreement.

The principal purpose of the Relationship Agreement is to ensure that the Company can carry on an independent business as its main activity. The Relationship Agreement contains, among other things, undertakings from the controlling shareholder that:

(a) the Company and each other member of the Group shall operate on a basis that is independent from the controlling shareholder and its associates and neither the controlling shareholder nor any of its associates shall materially influence the day-to-day running of the Company or any other member of the Group at an operational level; and

(b) all transactions and arrangements between any member of the Group and the controlling shareholder or any of its associates shall be conducted in accordance with the Listing Rules and will be conducted at arm's length and on normal commercial terms.

Pursuant to the Relationship Agreement, Lone Star Funds is able to appoint:

(a) two Non-Executive Directors to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 20% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company; and

(b) one Non-Executive Director to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

Bradley Boggess and Richard Cammerer Jr. were appointed to the Board by Lone Star Funds pursuant to the terms of the Relationship Agreement. For so long as Lone Star Funds and its associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company, Lone Star Funds is also entitled to appoint one member of the Nomination Committee and appoint one Lone Star Director as an observer to meetings of the Audit Committee, the Remuneration Committee and the Risk Committee. Under the Relationship Agreement, Lone Star Funds and its affiliates may engage or hold an interest in investments, business ventures or other entities similar to, or that compete with, the business of any member of the Group. The Relationship Agreement will continue for so long as (a) the ordinary shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities and (b) Lone Star Funds together with its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the controlling shareholder.

Board meetings

In a full year it is the intention for the Board to meet on at least eight occasions. The Directors regularly communicate and exchange information regardless of the timing of meetings and should the need arise a meeting of the Directors can be convened at short notice.

There were seven Board meetings held in the period between Admission and the year end. In addition, there were three meetings of the Audit Committee, three meetings of the Remuneration Committee, a single meeting of the Nomination Committee and a single meeting of the Risk Committee.

Although a formal evaluation of Board performance will be undertaken in 2017, during the year under review, the Non-Executive Directors met without the Executive Directors being present and, in addition, the Senior Independent Director chaired a meeting without the Chairman being present.

The Chief Executive Officer, Chief Financial Officer and external auditor are often invited to the Audit Committee meetings although the Committee also regularly meets with the external auditor without the presence of the Executive Directors.

The table below only includes attendance where each Director attended as a member rather than as an invitee or an observer.

The Company Secretary is also Secretary to each of the Board Committees and attends meetings in this capacity.

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Paul Lester	7/7	N/A	1/1	3/3	1/1
Stephen Harrison	7/7	N/A	1/1	N/A	N/A
Shatish Dasani	7/7	N/A	1/1	N/A	N/A
Justin Atkinson	7/7	3/3	1/1	3/3	1/1
Divya Seshamani	7/7	3/3	1/1	3/3	1/1
Bradley Boggess	7/7	N/A	N/A	N/A	1/1
Richard Cammerer Jr.	7/7	N/A	N/A	N/A	N/A

“During the year the Committee oversaw the establishment of the Group's Internal Audit function.”

Justin Atkinson
Audit Committee Chairman

Dear Shareholder

Introduction

I am pleased to present Forterra's first report to you since Admission to the London Stock Exchange in April 2016. The role of the Audit Committee (the Committee) is to protect the interests of shareholders by ensuring the integrity of the Group's financial reporting and by monitoring the ongoing effectiveness of the Group's internal controls. The Committee provides independent monitoring, guidance and challenge to management in these areas. Although the Committee was only established shortly ahead of the IPO, the Group has initiated measures towards establishing a best practice control environment and governance structure. The report below explains how the Committee has discharged its responsibilities since the IPO.

Responsibilities and terms of reference

On 26 April 2016 Forterra plc was admitted to trading on the main market of the London Stock Exchange. The terms of reference of the Audit Committee were approved by the Board and became effective on 11 April 2016.

The principal responsibilities of the Committee are to:

- monitor the integrity of the Financial Statements, half year report, and any other announcements relating to the Group's financial performance or position and to assess whether management has made appropriate estimates and judgements;
- review and challenge where necessary the consistency of and any changes to significant accounting policies;
- keep under review the adequacy and effectiveness of the Group's financial internal control and risk management systems;
- evaluate the effectiveness of the Group's Internal Audit function;
- review the effectiveness and independence of the external auditors, negotiate and agree their remuneration and to make recommendations to the Board in respect of their appointment; and
- monitor the effectiveness of the Group's procedures on whistle blowing, anti-bribery and corruption and anti-money laundering.

The Audit Committee's full terms of reference are available on the Company's website.

Membership

From Admission to the date of this report the membership of the Committee comprised Divya Seshamani and Justin Atkinson. It is the intention that as further Independent Non-Executive Directors are appointed to the Board at least one additional appointment to the Audit Committee will be made.

The Board considers that the members of the Committee have the appropriate competence and financial and industry experience necessary to fulfil their duties. Prior to his appointment to the Board, Justin Atkinson previously spent 25 years at Keller Group plc, the FTSE 250 Ground Engineering Company, latterly as Chief Executive Officer and prior to that as Chief Financial Officer. Justin is also a Non-Executive Director and member of the Audit Committee at Kier Group plc and a Non-Executive Director of Sirius Real Estate Limited as well as being a member of the Audit Committee of the National Trust. Justin is a qualified Chartered Accountant.

Summary of activity during 2016

Following Admission in April 2016 the Committee formally met three times in 2016. In addition to the members of the Committee, other members of the Board including the Chief Financial Officer, the Head of Internal Audit, representatives from co-sourced internal audit service provider PwC and the external auditor from Ernst & Young may attend the meetings by invitation. The external auditor was invited to and attended each meeting of the Committee in 2016. The Company Secretary provides secretarial services to the Committee and attends meetings in this capacity.

During this period the Committee oversaw the following:

- consideration of the letter to those charged with governance prepared by Ernst & Young following the audit of the 2015 Financial Statements;
- establishment of the Internal Audit function and, following a comprehensive selection process, the appointment of PwC to provide internal audit services on a co-sourced basis;
- setting of the internal audit programme;
- review of the Group's first half year interim statement published on 7 September 2016;
- appointment of a new external audit partner following the rotation of the incumbent;
- establishing a policy on the use of the external auditor for non-audit services; and
- consideration of Ernst & Young's 2016 audit plan and the agreement of the audit fee.

Significant financial reporting risks and judgement areas considered

The following judgement areas and critical estimates were considered by the Committee in the review and approval of the 2016 Financial Statements:

- Accounting and tax treatment of IPO and separation costs

The Company incurred significant costs relating to the IPO which have been presented as exceptional items. Costs associated with the separation of back office services following the sale of the business by HeidelbergCement AG in 2015 and on separation from Forterra Inc in 2016 were also incurred during the year. Further information regarding these costs can be found in note 9 of the Consolidated Financial Statements on page 95. The Committee has scrutinised and approved management's treatment of these costs.

- Share-based payments

Following Admission, the Company launched a number of share based reward schemes – further details of these schemes are contained within note 28 of the Consolidated Financial Statements on page 105. External advice was sought both in the initial design of the schemes and also in respect of the accounting judgements made regarding the outcome of performance targets, share performance and lapse rates.

- Discounting of future obligations

The Group has long-term obligations for the restoration and decommissioning of its facilities at the end of their useful economic life. Following the outcome of the referendum on the UK's membership of the European Union there has been significant volatility in gilt yields which the Company uses to determine an appropriate discount rate. The Committee has reviewed and approved management's approach in determining a suitable long-term discount rate.

- Revenue recognition, specifically accounting for sales rebates

The Group has a number of contracts with its customers which contain volume driven rebate mechanisms. Management are required to make judgements regarding the expected rebate achievement and make appropriate allowance for these uncertain liabilities in the Consolidated Financial Statements. The Committee have reviewed the Group's policies and procedures covering the recognition of revenue and the recording of rebate obligations and is satisfied that the balances as at 31 December 2016 are appropriately recorded.

- Inventory valuation and provisioning

The Committee has critically reviewed the Group's valuation of its finished goods inventory including the level of provisions recognised against potential obsolescence. This review was informed by recent trading trends and expectations for the coming year. In addition, the external auditor presented the results of its audit testing on inventory to the Committee. Also, during the year, the Internal Audit function undertook a detailed review of the processes and controls around inventories. This allowed the Committee to concur with management's assessment that the carrying value of the Group's inventories is appropriately stated.

After reviewing management reports and consulting where necessary with the external auditor the Committee is satisfied that the estimates adopted and the accounting treatments applied in the preparation of the Financial Statements are appropriate.

Risk management and internal controls

The Audit Committee is focused upon financial risks and controls. Operational risk management is contained within the terms of reference of the Risk Committee. The Audit Committee and the Risk Committee work closely together and the members of the Audit Committee also serve on the Risk Committee. In addition, key members of the Internal Audit function may by invitation also attend the meetings of the Risk Committee.

One of the first tasks undertaken by the Committee was to oversee the establishment of an internal audit function. Whilst under the previous ownership of both Hanson plc and then HeidelbergCement AG the business had fallen under the auspices of the internal audit functions of these larger organisations. On leaving the HeidelbergCement Group in March 2015 the Group did not have an internal audit function. The Internal Audit function was established in the summer of 2016. The Committee evaluated several different models of internal audit provision from a fully internalised model to a fully outsourced solution. High quality proposals were received from a number of leading audit and assurance firms. Ultimately it was decided to progress with a co-sourced model. A Head of Internal Audit was appointed and PwC have been engaged to provide internal audit services under the direction of the Head of Internal Audit. The Head of Internal Audit functionally reports to the Audit Committee, and PwC also has this direct line of contact should it be necessary. The Committee feels that this model combines strong internal business knowledge and understanding with a wide pool of external experience and specialist skill sets to deliver the most effective and responsive solution possible.

The Internal Audit function exists to provide the Board and management with independent assurance that internal controls and risk management processes are both appropriate and operating effectively. The Committee have agreed an initial internal audit programme covering an 18 month time frame. The audit programme has been designed to prioritise review of key financial processes and operating units based on an assessment of inherent risk and an assessment of the control environment in place. Findings from internal audits and recommended improvements are reported to the Audit Committee in a timely manner.

The Chairman of the Audit Committee regularly meets with the Head of Internal Audit. Other members of the Committee and the Board will also meet with the Head of Internal Audit on a periodic basis.

Fair, balanced and understandable

At the request of the Board the Audit Committee has considered whether the 2016 Annual Report is fair, balanced and understandable and whether it provides the necessary information for the Group's shareholders to assess the Group's performance, business model and strategy.

Shortly before the publication of the full year financial results for 2016 the Committee undertook a detailed review of the Viability Statement and recommended to the Board that the Directors can justifiably state that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over a three year assessment period.

External audit, auditor independence and objectivity

The Committee is responsible for making recommendations to the Board regarding the appointment, reappointment and removal of the external auditor. It keeps under review the scope of the audit, the audit findings, its cost effectiveness and the independence and objectivity of the auditor. The Company appointed Ernst & Young LLP as auditor upon incorporation in January 2016. Ernst & Young had previously been auditor to the Group and its predecessor entities whilst under the ownership of HeidelbergCement AG and prior to that Hanson plc. Following Admission in April 2016 the Ernst & Young partner who had been responsible for Forterra and its predecessor entities for a period of almost seven years informed the Committee that in accordance with Ernst & Young's internal policies it was now appropriate for him to rotate. The Committee has since supervised the selection and appointment of a replacement partner with appropriate industry experience.

The Company has complied with the Competition and Markets Authority final order on mandatory tendering and the requirements of the Audit Directive (2014/56/EU). It is the Group's intention to put the audit out to tender at least once every 10 years.

The Committee receives the formal letter addressed to those charged with governance provided by the external auditors on completion of the annual audit which summarises the key findings and observations arising from the audit along with how management have responded to these findings. In addition, the external auditors provide confidential feedback to the Committee as to how members of the finance team have conducted themselves during the audit process. Also, the Chairman of the Committee has met with the audit partner outside of the formal committee meetings and intends to continue doing so on a regular basis going forward.

Non-audit services policy

In response to the Ethical Standard for Auditors, issued by the Financial Reporting Council on 17 June 2016 which limits the amount listed entities may pay their auditors for non-audit services to 70% of the average statutory audit fee over a three year period, the Audit Committee considered and approved a policy for auditor independence and the provision of non-audit services. The policy provides details of permitted, prohibited and audit related services and requires Audit Committee approval of all anticipated non-audit fees above a de-minimis threshold. Whilst the new regulations will not formally apply until 2019, when a three year history of audit fees will have been determined, the Group is committed to applying best practice as soon as practicable and intends to apply the new policy (with reference to the prior year's statutory audit fee) from 2017.

The amounts paid to Ernst & Young for non-audit services during the year are disclosed in note 6 of the Financial Statements. Ernst & Young has its own policies and procedures in place to ensure it maintains its independence and objectivity and regularly reports to the Committee on its independence. During 2015 Ernst & Young were appointed as reporting accountants in relation to the IPO. A different partner within Ernst & Young was appointed to oversee the provision of services related to the IPO allowing Ernst & Young to maintain their independence.

Whistleblowing, fraud and the Bribery Act

The Committee has reviewed and approved the Group's policies and procedures covering whistleblowing, anti-bribery and corruption including the controls in place to detect fraud and to ensure compliance with both competition and anti-bribery legislation. The Group maintains a zero tolerance approach to breaches of this legislation and certain employees, selected using a risk based approach, are provided with dedicated training and guidance appropriate to their roles.

The Group operates a MySafeWorkplace anonymous incident reporting system allowing employees to report any wrongdoing or concerns with confidentiality assured. There were no concerns notified to the Group that required the attention of the Committee during the year under review and up to the date of this report.

The Report of the Audit Committee has been approved by the Board and signed on its behalf by:

Justin Atkinson
Chairman of the Audit Committee

15 March 2017

Nomination Committee Report

> **We have established an able and experienced Board and our search for additional independent Non-Executive Directors is well advanced.”**

Paul Lester CBE
Nomination Committee Chairman

Dear Shareholder

I am pleased to present the report of the Nomination Committee (the Committee) for 2016. The report below describes the main responsibilities of the Committee. I chair Nomination Committee meetings but would not participate where the Committee was dealing with my own appointment as Chairman.

Following the Company's listing on the London Stock Exchange in April 2016 the Nomination Committee's main task was to monitor the functioning of the Board and to satisfy itself that the Board possessed the right level of skills and experience along with starting the process of identifying suitable candidates for appointment to the Board in 2017.

Membership

The members of the Committee are appointed by the Board. The members of the Committee during 2016 were:

Paul Lester (Chairman)

Justin Atkinson

Divya Seshamani

Bradley Boggess

The Committee met once in 2016.

Responsibilities and terms of reference

The terms of reference of the Nomination Committee were approved by the Board and became effective on 11 April 2016. The principal responsibilities of the Committee are as follows:

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and to make recommendations to the Board with regard to any changes;
- succession planning for both Executive and Non-Executive Board roles along with senior management positions;
- to identify and recommend to the Board for approval candidates to fill Board and senior management vacancies as they arise; and
- to make recommendations to the Board in respect of the performance of Directors standing for election or re-election in advance of the annual general meeting.

The full terms of reference are available on the Company's website.

It is recognised that since listing the Board is not fully compliant with the Code which requires a majority of the Board to be independent. Pursuant to the relationship agreement between the Company and LSF9 Concrete II Limited 'the controlling shareholder' the Company and the controlling shareholder have agreed to use their reasonable endeavours to procure that within 18 months of Admission the Board does comprise of a majority of independent Non-Executive Directors in accordance with the UK Corporate Governance Code. The process of appointing a further Independent Non-Executive Director is well advanced with Vardis, an external executive search consultancy with no other connection to the Company, appointed to identify suitable candidates with appropriate skills and experience.

Paul Lester CBE
Chairman of the Nomination Committee

15 March 2017

Establishing a dedicated Risk Committee ensures operational risks including Health and Safety are given the highest level of consideration at Board level."

Divya Seshamani
Risk Committee Chair

Dear Shareholder

As Chair of the Risk Committee (the Committee) I am pleased to present to you on behalf of the Board the first report of the Committee. The purpose of the Committee is to assist the Board in ensuring that all risks, including health, safety, environmental, operational and commercial are managed effectively and proactively throughout the Group.

Responsibilities and terms of reference

The Board elected to establish a dedicated Risk Committee in addition to the Audit Committee to ensure that the management of more operationally focused risks of which Health and Safety is of paramount importance get sufficient and detailed Board level consideration.

The terms of reference under which the Committee operates were approved by the Board on 11 April 2016 and can be summarised as follows:

- review Health and Safety policy considering whether it complies with legislation and best practice and recommending improvements as appropriate;
- implement changes in Health and Safety policy as necessary;
- review the effectiveness of risk management processes in determining whether all risks are being identified, evaluated, monitored and managed appropriately;
- review of the Group risk register and consider its appropriateness and completeness along with reviewing the appropriateness of the mitigating actions being taken; and
- review the effectiveness of the Group's risk management functions including Health and Safety ensuring that sufficient resources are devoted to this area and that these resources are appropriately skilled.

The full terms of reference are available on the Company's website.

Membership

The members of the Committee during the period under review were:

Divya Seshamani (Chair)

Paul Lester

Justin Atkinson

Stephen Harrison

Shatish Dasani

In addition to the Committee members, other members of the management team with responsibilities covering Health and Safety, environmental compliance, commercial and operations functions along with representatives of the internal audit function may be invited to attend and actively contribute to meetings.

During 2016 the Committee met once as many of the Committee's responsibilities had been discharged by the Board. The intention is that the Risk Committee will meet on at least four occasions in 2017.

During the period under review the Committee:

- oversaw the formalisation of the Group's risk assessment and monitoring methodology and embedding risk management into the organisational culture;
- undertook a review of the risk register and has identified the top ten risks facing the Group and these will be reviewed on a regular basis by the Board; and
- considered the Health and Safety strategy implemented by the Group.

Divya Seshamani
Chair of the Risk Committee

15 March 2017

Remuneration Committee Report
Chairman's Annual Statement

Dear Shareholder

As the Chairman of the Remuneration Committee (the Committee) I am pleased to present, on behalf of the Board, the Committee's first Remuneration Report following the IPO, which in addition to the Annual Report on Remuneration also contains the Remuneration Policy (the Policy).

Prior to Admission the Board undertook a comprehensive review of the Group's Remuneration Policy for Directors and senior management to ensure the pay structure post IPO was appropriate for a listed company whilst retaining certain key features such as simplicity and transparency.

In carrying out this review, the Board paid close regard to prevailing best practice and the expectations of institutional investors and their representative bodies. Underpinning the Group's policy, the Committee's objective is to ensure remuneration encourages, reinforces and rewards the growth of sustainable long-term shareholder value and promotes the long-term success of the Group.

Executive Directors' packages in place since IPO have been determined taking into account:

- the role, experience and performance of the Executive Director;
- the location in which the Executive Director is working;
- good practice guidelines and emerging best practice; and
- remuneration arrangements at UK listed companies of a broadly similar size and complexity.

The key components of remuneration are set out in detail within the Remuneration Policy, which in accordance with UK company law, will be subject to a binding shareholder vote at the 2017 Annual General Meeting. The policy is consistent with the disclosures set out in the listing Prospectus.

Membership

Paul Lester (Chairman)

Justin Atkinson

Divya Seshamani

As explained within the compliance statement contained within the Governance report, the UK Governance Code recommends that the Chairman of the Board should not chair the Remuneration Committee. However the Board considers that I have the appropriate skills and experience needed to chair the Committee and at present am the most suitable Board member for this important role. It is the intention that as additional Independent Non-Executive Directors are appointed to the Board then a new appointment to chair the Remuneration Committee will be made.

Structure of the report

Core objectives of the Remuneration Policy

The Company aims to attract, retain motivate and develop the best talent to help ensure continued growth and success as it enters the next stage of its development. The proposed policy has been designed to:

- align the interests of the Executive Directors, senior management and employees with the strategic goals of the Company and the long-term interests of shareholders;
- support a culture of high achievement and delivery with appropriate reward for high performance without incentivising the taking of unnecessary risks;
- ensure that our remuneration tools and policies are transparent and understandable; and
- ensure talented executives and senior management are attracted, retained and motivated in order to successfully lead the Company going forward.

Remuneration Committee activity

The Remuneration Committee operates under terms of reference which were approved by the Board on 11 April 2016. A copy is available on the Company's website.

The Group's remuneration policies and practices were reviewed extensively in preparation for the IPO to ensure appropriate remuneration arrangements were in place following the listing of the Company.

Since listing the Committee has, with the assistance of independent remuneration consultants, undertaken a full review of all of the key components of remuneration along with the governance mechanisms that accompany them to ensure that the proposed policy is fit for purpose for a listed company and remains aligned with our strategic objectives and the expectations of our shareholders.

In addition, the Remuneration Committee has:

- implemented and subsequently issued shares and granted options under the Company's four share schemes which are detailed in note 28 of the Consolidated Financial Statements on pages 105 and 106. The Remuneration Committee is not solely concerned with Executive remuneration and also monitors wider employee engagement and remuneration matters throughout the Group. Following Admission, the Board is delighted to have been able to foster a culture of employee share ownership firstly through launching the Forterra Share Incentive Plan (SIP) in May 2016 and subsequently in October 2016 through the launch of the Forterra Sharesave Plan, the employee uptake of which exceeded expectations at 62%; and
- set performance targets under the Annual Bonus Plan (ABP).

Performance in year and bonus outcomes

2016 has been a landmark year with the Company being admitted to trading on the London Stock Exchange following the IPO in April 2016 and subsequently becoming established as a public company. Despite several headwinds the Group has delivered a strong financial performance in the year.

Much of 2016 saw somewhat muted demand from the major builders' merchants as they reduced the stocks of bricks that they carried. Towards the end of the year however there were positive signs that this destocking was coming to an end. The uncertainty triggered ahead of the referendum on the UK's membership of the European Union and the subsequent result impacted the business around the middle of 2016 but since that time confidence has returned to the housebuilding sector and the Group has performed strongly in the second half of the year. In addition the Group's aircrete block business suffered from constraints to raw material supply, the timing and nature of these constraints were unexpected and whilst the management acted quickly to address the issue, production was lost and the result impacted accordingly.

For 2016, 70% of the annual bonus was based on EBITDA targets (adjusted for exceptional items) and 30% on strategic targets. Reflecting a robust performance considering the headwinds faced during the year, the Group reported earnings before interest, tax, depreciation and amortisation before exceptional items (EBITDA before exceptionals) of £70.6 million which resulted in a bonus of 22.75% of salary becoming payable. Both Executive Directors performed well against their strategic objectives to reduce net debt, develop greater analyst coverage along with gaining exposure in the investor community and building lasting relationships with both current and potential future shareholders. Overall, this resulted in a total bonus of 50.25% of salary becoming payable. The Committee believes the bonus outturn for the year reflects the underlying performance of the Group over the period.

As disclosed in the Prospectus, directly following the successful IPO, Stephen Harrison and Shatish Dasani were awarded a one-off bonus of £400,000 and £300,000, respectively, in recognition of the significant work undertaken in connection with the Offer and Admission. This arrangement was agreed whilst Forterra was a private company and was funded by the selling shareholder. Such arrangements do not form part of the ongoing Remuneration Policy as a listed company.

Matters to be approved at the AGM

Two resolutions will be put to shareholders at the AGM:

The first resolution will seek approval for the Remuneration Policy (pages 54 to 62) This outlines the Company's Remuneration Policy for Executive Directors and, if approved, it will take effect from the 2017 Annual General Meeting (AGM). The vote is binding on the Company and is intended to apply for a period of three years.

The second resolution will seek approval for the remainder of this report being my annual statement and the Annual Report on Remuneration (pages 63 to 69). The Annual Report on Remuneration details the decisions and actions taken by the Committee and the resulting remuneration outcomes. It also sets out how we intend to implement the policy for 2017. This resolution is subject to an advisory shareholder vote.

Full details of the resolutions are set out in the separate Notice of the AGM.

Our goal has been to be clear and transparent in the presentation of both parts of this report and I look forward to your support on both resolutions.

Paul Lester CBE
Chairman of the Remuneration Committee

15 March 2017

Notes

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code and the Listing Rules. The report consists of three sections:

- The Annual Statement by the Remuneration Committee Chairman;
- The Policy which sets out the Company's Remuneration Policy for Directors and the key factors that were taken into account in setting the Policy. This Policy is intended to apply for three years from its date of approval at the 2017 AGM; and
- The Annual Report on Remuneration which sets out payments made to the Directors and details the link between Group performance and remuneration for 2016.

Policy overview

The Remuneration Committee has responsibility for determining the remuneration of the Chairman, Executive and Non-Executive Directors and other senior management. The Committee's terms of reference are available on the Company's website.

The Company's Remuneration Policy has been designed based on the following key principles:

- to promote the long-term success of the Group, with stretching performance targets which are rigorously applied;
- to provide appropriate alignment between the Group's strategic goals, shareholder returns and executive reward; and
- to have a competitive mix of base salary and short-and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance.

The remuneration arrangements have been structured with due consideration of the UK Corporate Governance Code and both best practice and market practice for UK listed companies.

The Remuneration Policy for Directors.

The following table summarises the key aspects of the Company's Remuneration Policy for Executive and Non-Executive Directors.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Salary	Salary is a fixed payment that reflects an individual's experience and role and may be increased to reflect capability and performance. To recruit and retain executives.	Salaries are paid monthly and are normally reviewed annually with changes effective from 1 January but by exception may be reviewed more frequently if the Committee determines this is appropriate. In reviewing salaries, the Committee considers: • remuneration practices within the Group; • market benchmarks based on companies of broadly comparable size and/or operating in similar sectors; • role, competence and performance; and • the general increase awarded to salaried employees. Higher increases may be awarded to new Executive Directors who were hired at below market rates but with the intention to move to a market competitive rate over time, subject to individual performance.	It is anticipated that salaries will generally be increased in line with increases awarded to salaried employees. However, in certain situations such as where there has been an increase in the scope, responsibility or complexity of the role or there has been a significant change in the size, value or complexity of the Group increases may be higher to remain market competitive.	Individual and Group performance is taken into account when determining the annual increase. The rationale for any such increase will be disclosed in the Annual Report on Remuneration.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Benefits	The Company's aim is to offer competitive and cost-effective benefits valued by participants and to help recruit and retain executives.	A range of benefits are provided to Executive Directors that may include a company car (or car allowance), private medical and permanent health insurance, business travel insurance, life assurance/death in service cover. Relocation (or other related expenses) and tax equalisation arrangements may be offered as appropriate to ensure Directors are no worse or better off in a case of relocation. Any reasonable business related expenses (included tax thereon) may be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The cost of providing market competitive benefits may vary from year to year depending on the cost to the Company from third party providers. The Committee will continue to monitor the cost of benefits to ensure that the overall benefit costs do not increase by more than the Committee considers appropriate in the circumstances.	No performance metrics apply.
Pension	To provide a market-competitive cost-effective contribution towards post-retirement benefits.	Executive Directors receive a contribution towards their retirement provision which may be paid as a contribution to a personal pension scheme or a cash allowance in lieu of pension or a mix of both.	The Company contribution to retirement allowances is up to 10% of salary.	No performance metrics apply.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Annual bonus	The purpose of the Annual Bonus Plan is to incentivise Executive Directors to achieve annual financial and/or strategic targets. Bonus deferral provides a retention mechanism and provides further alignment with shareholders.	Bonus payments are determined by the Committee after the year end, based on performance against the targets set around the start of the year. The Committee aims to set out in the Annual Report of Remuneration: the nature of the targets and their weighting for the forthcoming financial year; and details of the performance conditions, the weightings and targets that applied and the level of achievement against these targets for the financial year being reported on. The first 10% of salary is payable in cash. Up to half of any remainder of the bonus may then be deferred into shares as either conditional awards or nominal cost options under the Deferred Annual Bonus Plan (DABP). Such awards vest after a period of three years subject to continued employment. No further performance conditions apply. In line with good practice, recovery and withholding provisions apply (see note 1). An additional payment (in the form of cash or shares) may be made in respect of shares that vest to reflect the value of dividends that would have been paid on those shares during the vesting period.	The maximum opportunity under the annual bonus scheme is 100% of salary. Bonus starts to be earned at the threshold level (up to 25% of the maximum depending on the performance metric).	The bonus may be based on the achievement of an appropriate mix of challenging financial, operational or strategic measures. Typically, financial measures will account for the majority of the bonus opportunity and may include measures such as profit or cash flow. Other financial measures that support the key short-term priorities of the business may be used. The targets applying to financial metrics will take into account the internal plan and external expectations of the business at the time they are set. If operational, individual or strategic measures are included, where possible a performance range will be set although this will depend on the measure chosen. The measures, targets and weightings may be varied by the Committee year on year based on the Company's strategic priorities at the time (see note 2).

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-term incentives	The Performance Share Plan (PSP) incentivises Executive Directors and selected senior management to deliver sustained performance over the long-term. The Plan also acts as a method of retaining key management over the medium-term. Aligns the interests of the Executive Directors and shareholders and assists Executive Directors in building up a substantial shareholding.	Awards are granted annually in the form of nominal or nil cost options under the PSP and vest after no less than three years. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. A holding period may apply to vested PSP awards under which Executive Directors will be required to retain the net of tax number of vested awards for at least two years from the date of vesting. In exceptional circumstances, the Committee may at its discretion allow participants to sell or dispose of some or all of these vested shares before the end of the holding period. Details of performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. Award levels are reviewed annually (subject to the PSP individual limits) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive Director being made the award. In line with good practice, recovery and withholding provisions may apply (see note 1). Dividends may accrue based on the value of dividends paid during the three year vesting period and two year holding period (if applicable).	The maximum annual award under the PSP that may be granted to an individual in any financial year is 200% of salary in normal circumstances (250% of salary in exceptional circumstances). The current grant levels are 125% of salary for the CEO and 100% of salary for the CFO and these will be kept under review over the life of the policy. For each measure, up to 25% of the relevant part of the award would vest for achieving the threshold level of performance, normally increasing on a straight line basis to 100% for achieving maximum performance.	Vesting is based on the achievement of one or more challenging performance targets set by the Remuneration Committee at the time of grant and measured over a three year period. Measures may include EPS growth (or another financial metric) or TSR. TSR will apply for at least part of each award under the life of this policy. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. The Committee retains the flexibility to vary the mix of metrics for each year's award in light of the business priorities at the time or to introduce new measures to support the long-term business strategy (see note 3).
All-employee share plans	To increase alignment between employees and shareholders in a tax efficient manner.	All-employee share schemes may be operated. Current schemes include: • Sharesave Plan; • Share Incentive Plan (SIP); and • Other HMRC approved all-employee schemes may be introduced at the Committee's discretion.	Consistent with prevailing HMRC limits.	No performance metrics apply.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Share ownership policy	To align interests of management and shareholders and promote a long-term approach to performance and risk management.	Executive Directors are required to build up a shareholding in the Company equal to 200% of salary. Half of the net of tax number of vested PSP and DABP awards are expected to be retained until the guideline is met. The value of vested but unexercised awards subject to a two year holding period will count towards the guideline on a net of tax basis.	Not applicable.	No performance metrics apply.
Non-Executive Directors' fees	To attract and retain high quality and experienced Non-Executive Directors.	The fees of the Non-Executive Directors are set by the Board and the Chairman's fee is set by the Committee (the Chairman does not take part in any discussion regarding his own fees). Fees are reviewed periodically. Non-Executive Directors receive a fee for carrying out their duties, together with additional fees for those who chair other Board Committees and the Senior Independent Director. The Non-Executive Directors who represent the majority shareholder do not receive a fee. The Chairman and Non-Executive Directors are entitled to reimbursement of reasonable business related expense (including any tax thereon). They do not participate in any incentive arrangements and they do not receive a pension contribution. The level of fees reflects the time commitment and responsibility of their respective roles.	Details of current fees are set out in the Annual Report on Remuneration. As set out in the Company's Articles of Association, the total fees paid to Non-Executive Directors must not exceed £1 million a year or any higher amount agreed by ordinary resolution at a general meeting.	No performance metrics apply.

Note 1: **Recovery and withholding provisions.** Recovery and withholding provisions apply to the Annual Bonus Plan, the DABP and the PSP. If, within three years of the payment of a bonus, grant of a deferred bonus award and/or vesting of a PSP award, it transpires that payment or vesting should not have occurred as a result of a material misstatement, error in calculation or gross misconduct has been discovered, the payment or vesting can be recovered or withheld, in part or in full, as appropriate.

Note 2: **Annual bonus performance metrics.** The annual bonus measures are reviewed annually and reflect key financial, strategic and operational priorities of the Group. Stretching financial targets are set by the Committee by taking account of the Company's business plan and external expectations. For 2017, these are based on profit and strategic objectives reflecting the short-term priorities of the Group. The target ranges set at the start of the financial year are deemed to be commercially sensitive. Actual targets, performance achieved and the awards made will be published at the end of the performance period so shareholders can assess payout levels.

Note 3: **Performance Share Plan metrics.** For 2017 awards the performance conditions will be EPS growth and relative TSR. The use of relative TSR provides a measure of the long-term success of the Company relative to appropriate peer comparators. EPS growth is a measure of the overall profitability of the business for investors over the long-term and therefore helps align the interests of management with shareholders.

Incentive plan discretions

The Committee will operate incentive plans including, the Annual Bonus Plan, the Deferred Annual Bonus Plan, and the Performance Share Plan according to their respective rules (which were included in the Company's IPO Prospectus) and summarised in the policy set out previously. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include, but are not limited to, the following:

- who participates in the plan;
- the timing of grant and/or payment;
- the size of an award and/or payment;
- the choice of performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- the ability to vary any performance conditions if circumstances occur which cause the Remuneration Committee to determine that the original conditions have ceased to be appropriate provided that any change is fair and reasonable and in the Committee's opinion, not materially less difficult to satisfy than the original condition;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction; and
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, any remuneration or loss of office payments that are not in line with this policy may be made if the terms were agreed before the approval of this policy, including those disclosed in the Prospectus. In addition, authority is given to the Company to honour any commitments entered into at a time when the relevant employee was not a Director of the Company.

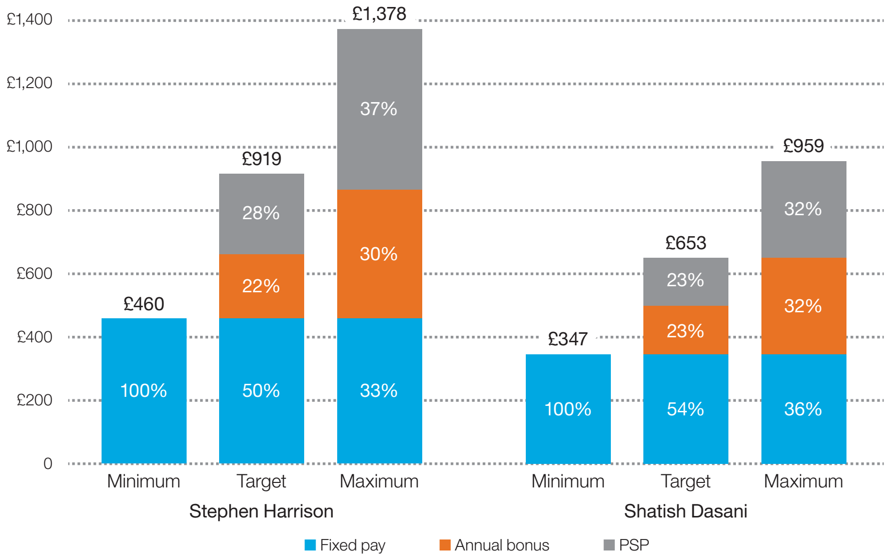
Remuneration Policy for other employees

The policy described above applies specifically to the Company's Executive and Non-Executive Directors and is designed with regard to the policy for employees across the Group as a whole. The following differences exist between the Company's policy for the remuneration of the Executive Directors and its approach to the payment of employees generally:

- there are differences in salary levels and in the levels of potential reward depending on seniority and responsibility, although a key reference point for executive salary increases is the average increase across the general workforce;
- a lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees;
- performance metrics attached to the annual bonus may differ to reflect the precise roles and responsibilities of the employee; and
- participation in the PSP is limited to the Executive Directors and certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of employee. They also reflect that, in the case of the Executive Directors and senior management, a greater emphasis is placed on performance related pay reflecting their influence over the Company's performance.

Illustrations of application of Remuneration Policy (£'000)



Notes:

- Minimum is equivalent to fixed pay which comprises salary levels applying for 2017 the value of benefits in 2016 and a 10% pension contribution.
- Target comprises fixed pay plus the value of the on target bonus at 50% of the maximum bonus opportunity (100% of salary) plus the value of the on target level of vesting under the PSP which is taken to be 50% of the expected 2017 grant level.
- Maximum comprises fixed pay plus maximum bonus plus the maximum value of the PSP (equal to be 100% of the face value of the award at grant using the current grant policy of 125% of salary for the CEO and 100% of salary for the CFO).
- No share price appreciation has been assumed for the PSP award.

Service contracts and letters of appointment

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Service contracts

The service contracts for the Executive Directors are terminable by either the Company or the Executive on 12 months' notice. The Company can terminate either Executive Director's service contract by payment of a cash sum in lieu of notice equivalent to the base salary and the cost that would have been incurred in providing the Executive Director with contractual benefits for any unexpired portion of the notice period (or alternatively the Company can choose to continue providing the contractual benefits). The payment in lieu may be paid as one lump sum or in monthly equal instalments over the notice period. If the Company chooses to pay in instalments the Executive Directors are obliged to seek alternative income over the relevant period and the payment of each monthly instalment will be reduced by the amount of such income earned. There are no enhanced provisions on a change of control.

At the discretion of the Committee, a contribution to reasonable outplacement costs in the event of termination of employment due to redundancy may also be made. The Committee also retains the ability to reimburse reasonable legal costs incurred in connection with a termination of employment and may make a payment for any statutory entitlements or to settle or compromise claims in connection with a termination of employment of any existing or future Executive Director as necessary. Relevant details will be provided in the Annual Report on Remuneration should such circumstances apply.

The table opposite sets out, for variable pay elements, the Company's policy on payment for loss of office in respect of Executive Directors. In general, treatment will depend on the circumstances of departure and in particular whether a leaver is a 'good leaver'. Good leaver reasons include

- death;
- injury;
- retirement;
- disability;
- redundancy;
- the employing company being sold outside the Group; or
- other circumstances at the discretion of the Committee.

In any other circumstance, the leaver will be treated as a 'bad leaver'.

Policy on payment for loss of office

Element	Treatment
Annual Bonus Plan	No automatic or contractual right to bonus payment. Good leavers: a pro-rata bonus may become payable at the normal payment date for the period of employment and based on full-year performance. With rationale set out in the Annual Report on Remuneration. Bad leavers: no bonus is payable for the year of cessation. Discretions: • To determine whether to pro-rate the bonus for time. It is the Committee's normal policy to pro-rate for time, however, there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.
Deferred Annual Bonus Plan	Good leaver: all deferred shares vest at the date of cessation. Bad leavers: awards lapse. Discretions: • To vest deferred shares at the end of the original deferral period or to defer vesting in connection with a potential clawback event.
Performance Share Plan	Good leaver: awards vest at normal vesting date and pro-rated for time and tested for performance in respect of each subsisting PSP award. Bad leaver: awards lapse. Discretions: • To vest and measure performance over the original performance period or vest and measure performance at the date of cessation or to defer vesting in connection with a potential clawback event. • To determine whether to pro-rate the maximum number of shares for the time from the date of grant to the date of cessation (the Committee may need to round up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate. Where this is the case it will be fully disclosed to shareholders.

Change of control

The Committee's policy on the vesting of incentives on a change of control is summarised below:

Element	Treatment
Annual Bonus Plan	Pro-rated for time and performance to the date of the change of control.
Deferred Annual Bonus Plan	Subsisting DABP awards will vest on a change of control.
Performance Share Plan	The number of shares subject to existing PSP awards will vest on a change of control pro-rated for time and performance to the date of the change of control. Discretions: • To determine whether to pro-rate the maximum number of shares from the time from the date of grant to the date of the change of control (the Committee may round-up to the nearest whole year). Normal policy is to pro-rate for time, however there may be circumstances where this is not appropriate.

Letters of appointment

The Chairman and the Non-Executive Directors have letters of appointment and are subject to annual re-election at the AGM. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination. The appointments are terminable by the Company on not less than 30 days' notice or immediately in the event that the appointment is terminated by the shareholders (or where shareholder approval is required but not forthcoming).

Bradley Boggess and Richard Cammerer Jr. have been appointed as Non-Executive Directors by Lone Star Funds pursuant to the Relationship Agreement, if (a) Lone Star Funds and its associates no longer exercise or control the exercise of at least 20% of the votes able to be cast on all or substantially all matters at general meetings of the Company, the Board may request that one of these appointments are terminated; and (b) if the Lone Star Funds and its associates no longer exercise or control the exercise of at least 10% of the votes able to be cast on all or substantially all matters at general meetings of the Company, the Board may request that both of these appointments are terminated.

Approach to recruitment and promotions

The recruitment package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy. Currently, this would facilitate a maximum annual bonus payment of no more than 100% of salary and PSP award of up to 200% of salary (other than in exceptional circumstances (including recruitment) where up to 250% of salary may be made).

On recruitment, salary may (but need not necessarily) be set below the normal market rate, with phased increases as the Executive Director gains experience. The rate of salary should be set so as to reflect the individual's experience and skills.

In addition, on recruitment the Company may compensate for amounts foregone from a previous employer (using LR 9.4.2R if necessary) taking into account the quantum foregone and, as far as reasonably practicable, the extent to which performance conditions apply, the form of award and the time left to vesting.

For an internal appointment, any variable pay element awarded in respect of their prior role should be allowed to payout according to its outstanding terms. Any other ongoing remuneration obligations existing prior to appointment may continue, provided that, if they are outside the approved policy, they are put to shareholders for approval at the earliest opportunity.

For all appointments, the Committee may agree that the Company will meet appropriate relocation costs.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy in force at that time.

Policy on external appointments

Subject to Board approval, Executive Directors are permitted to take on a single paid non-executive position with an unconnected company and to retain their fees in respect of such position. Where appropriate details of outside directorships held by the Executive Directors and any fees that they received are provided in the Annual Report on Remuneration. At present neither of the Executive Directors holds any outside appointments other than those held in the capacity of representing the Group on trade associations and similar bodies, and no remuneration is received in respect of these appointments.

How the view of shareholders and employees are taken into account

In setting the remuneration for the Executive Directors the Committee takes note of the overall approach to reward for employees in the Group and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The Committee does not formally consult directly with employees on executive pay but does receive periodic updates on employee remuneration within the Group as necessary.

The Committee is conscious that this is the first time that shareholders will vote on the Remuneration Policy since the Company's IPO and will consider any shareholder feedback received in relation to the Policy at the AGM. This, plus any additional feedback received from time to time, will be considered as part of the Company's annual review of Remuneration Policy.

As Forterra has not held an AGM since listing no voting outcomes are available. We will publish details of remuneration related voting outcomes in next year's Remuneration Committee Report.

Implementation of the Remuneration Policy for the year ending 31 December 2017

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2017 is set out below:

Base salary

Executive Directors' salaries were reviewed in January 2017 and the Committee agreed to increase Executive Directors' salaries by 2% in line with the general increase made to the workforce. The increases will take effect from 1 January 2017.

	2017	2016
Stephen Harrison	**£408,000**	£400,000[1]
Shatish Dasani	**£306,000**	£300,000

[1] Salary in place since date of Admission

Pension and benefits

The Committee intends that the implementation of its policy in relation to pension and benefits will be in line with the policy disclosed on page 55 of this report.

Annual bonus

The maximum annual bonus for the year ending 31 December 2017 will be 100% of salary for Executive Directors. Awards will be determined based on a combination of both the Group's financial results, being profit before tax (70%) and strategic/personal performance (30%). The Committee has changed the profitability definition for 2017 from EBITDA to profit before tax (PBT) to take account of the cost of debt financing. In both periods the targets are stated before exceptional items.

The specific financial targets for 2017 are considered commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Annual Report on Remuneration along with details as to their achievement to the extent that they do not remain commercially sensitive. The strategic objectives for 2017 are also considered commercially sensitive. Stretching targets aligned to the Group's five strategic pillars have been set.

In determining the level of any bonus award to be deferred into shares under the Deferred Annual Bonus Plan the first 10% of salary of any bonus and 50% of any further bonus earned will be paid in cash with the balance deferred in shares for three years within the Deferred Annual Bonus Plan.

Performance Share Plan (PSP)

The Committee intends to make awards under the PSP to Executive Directors during the 2017 financial year. These awards are expected to be at 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer.

Half of the awards will vest by reference to the Group's earnings per share (EPS) performance over the three year period and the remaining half will vest subject to the Groups' total shareholder return (TSR) performance against an unweighted index of comparator companies. Awards will be subject to clawback/malus provisions and a two year holding period on vested shares may apply.

Fees for Chairman and Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees. A summary of current fees is shown below:

Chairman	£130,000
Non-Executive Director base fee	£50,000
Additional fees:	
Senior Independent Director	£10,000
Audit Committee Chairman	£7,000
Remuneration Committee Chairman	£7,000
Risk Committee Chair	£4,000

The Directors appointed by Lone Star Funds have waived any right to receive a fee.

The fees above were set prior to the IPO and will be subject to review in 2018.

Annual report on remuneration

This report covers the full year ended 31 December 2016. Comparative figures for the 2015 have not been provided as the Company did not exist in its current form during the prior year and the Committee does not believe that the remuneration paid in prior years as a private company is comparable with the remuneration paid post IPO. Unless stated otherwise, the figures below are full year figures and include remuneration paid by Forterra Building Products Limited prior to the incorporation and subsequent Admission of Forterra plc.

Single total figure of remuneration (audited)

Executive Directors (audited)

£'000	Period	Salary and fees	Taxable benefits[3]	Pension/ retirement allowance[4]	Annual bonus[5]	Exceptional IPO bonus[6]	Long-term incentives[7]	Sharesave[8]	SIP[9]	Total
Stephen Harrison[1]	2016	£330,623	£11,226	£38,067	£201,000	£400,000	–	£4,400	£490	£985,806
Shatish Dasani[2]	2016	£300,000	£10,147	£30,000	£150,750	£300,000	–	£4,400	£490	£795,787

1 Annual salary of £180,000 from 1 January 2016 until IPO in April 2016 and £400,000 following IPO to the end of the period.

2 Annual salary of £300,000 for entire year.

3 Taxable benefits in the period comprised of a company car/allowance and private medical insurance.

4 Prior to listing Stephen Harrison received a contribution of 19% of salary to the Group's defined contribution pension scheme. From IPO a 10% retirement allowance was received. Shatish Dasani received a 10% retirement allowance for the full year.

5 Details of the bonus targets and their level of satisfaction and resulting bonus earned are set out on the following page.

6 As detailed in the Prospectus, on Admission, the Executive Directors and other senior Executives were awarded a one-off bonus in recognition of the significant work undertaken in connection with the Offer and Admission. The pre-IPO restructuring was structured so as to leave the Company with a specified level of net debt upon Admission. These bonus payments were taken into account as part of the restructuring thus in practice they were effectively paid out of the selling shareholders proceeds raised on IPO and not the ongoing cash reserves of the Group.

7 The first award under the Performance Share Plan was made in 2016. These first awards will not be eligible to vest until 2019 and are subject to performance conditions as described below.

8 13,333 options were granted to both Stephen Harrison and Shatish Dasani under the Forterra Sharesave Plan on 24 October 2016 with an exercise price of 135p per share (awarded at a 20% discount to the market price at the date of launch in accordance with HMRC rules). The earliest date these options may be exercised is 1 December 2019.

9 277 deferred shares were awarded to both Stephen Harrison and Shatish Dasani under the Forterra All Employee Share Incentive Plan (SIP) on 25 May 2016. These shares are not subject to performance conditions and will vest in 2019.

Pension entitlements (audited)

The Group operates a defined contribution personal pension plan. Since listing, both Executive Directors receive a 10% retirement allowance which they may use to make contributions into the Group personal pension scheme should they wish. Prior to listing, Stephen Harrison was entitled to receive a contribution of 19% of salary paid into the Scheme. The Group does not operate a defined benefit pension scheme. Details of the value of pension contributions received in the year under review are provided in the pensions column of the single total figure of remuneration table.

Annual bonus (audited)

The 2016 bonus awards payable to the Executive Directors were agreed by the Committee having reviewed the Company's results. Detail of the targets used to determine bonus entitlements and to the extent that they have been satisfied are shown below. These figures are shown in the single figure table on page 64.

						Bonus value achieved	
	Weighting	Threshold performance required	Maximum performance required	Actual performance achieved	Percentage of maximum value achieved	Stephen Harrison[2]	Shatish Dasani[3]
EBITDA before exceptionals[1]	70%	£69.0m	£76.0m	£70.6m	32.50%	£91,000	£68,250
Strategic objectives	30%		See table below		91.67%	£110,000	£82,500
Total (% of maximum)	100%				50.25%	50.25%	50.25%
Total (£)						£201,000	£150,750

1 Under the terms of the 2016 annual bonus plan 12.5% of the maximum is payable for achieving the threshold EBITDA before exceptionals performance target increasing on a linear basis to 100% if the maximum performance is achieved.

2 Maximum bonus opportunity of 100% of salary. Bonus payment based on post IPO base salary of £400,000.

3 Maximum bonus opportunity of 100% of salary. Bonus payment based on base salary of £300,000.

Strategic objectives

The strategic objectives comprising 30% of the overall bonus opportunity and their achievement are set out in full below. Both Stephen Harrison and Shatish Dasani were set common objectives. An outline of the objectives and the extent to which they were achieved are provided below.

Objective	Weighting	Achievement	Outcome	Payout level (percentage of maximum for objective)
To reduce the Group's net debt at 31 December 2016 to below a threshold level of £130 million with full bonus value achieved at £110 million or below.	33%	Net debt as at 31 December 2016 was £92.3 million. Representing a significant reduction from the target. This positive outcome was delivered partly as a result of the timing of the IPO along with disciplined and effective working capital management.	Fully met	100%
To develop analyst coverage to six or more analysts to increase the marketability of the Company's shares post-IPO.	33%	The Investor Relations function has developed considerably since listing with Forterra currently covered by eight analysts. The Committee considers this to be a strong level of coverage for a recently listed plc of the Group's size and is expected to bring liquidity benefits to the stock.	Fully met	100%
To leverage on a successful listing by building strong and lasting relationships with existing investors as well as continuing to cultivate relationships with potential new investors who did not participate in the IPO.	33%	Relationships with existing and prospective shareholders were built, maintained and further developed. The results of a Lone Star sell down which took place in January 2017 where a number of new shareholders joined the shareholder register following 2016 meetings with management provides tangible evidence of this.	Partially met	78%

Single total figure of remuneration (audited)

Non-Executive Directors (audited)

The table below sets out the single total figure for remuneration and breakdown for each Non-Executive Director. No comparative information has been provided for 2015. Comparative Information will be disclosed in the 2017 Remuneration Report.

	2016 Fees	Exceptional IPO Bonus	Total	Roles
Paul Lester	£102,750	£100,000	£202,750	Non-Executive Chairman
Justin Atkinson	£55,833	–	£55,833	Senior Independent Non-Executive Director
Divya Seshamani	£45,000	–	£45,000	Independent Non-Executive Director
Bradley Boggess	–	–	–	Non-Executive Director
Richard Cammerer Jr.	–	–	–	Non-Executive Director

As detailed in the Prospectus, on Admission, Paul Lester was awarded a cash bonus of £100,000 which was used to acquire ordinary shares at the Offer Price. As explained previously, this bonus was effectively paid out of the selling shareholder's proceeds and was intended as reward for his work as a consultant prior to the IPO for which he wasn't otherwise remunerated.

In accordance with the Relationship Agreement explained in the Corporate Governance Statement on page 44, Bradley Boggess and Richard Cammerer Jr. are appointed by LSF9 Concrete II Limited, a company controlled by Lone Star Funds and have waived any entitlement to a fee.

Performance Share Plan awards made during the year

On 31 May 2016 the following awards were granted to Executive Directors.

Executive	Type of award	Basis of award granted	Share price used to determine no of options granted[1]	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over
Stephen Harrison	Nominal (1p) cost option	125% of salary of £400,000	£1.80	277,777	£500,000	25%	Three financial years to 31 December 2018 for the EPS Element and three years to 20 April 2019 for the TSR element
Shatish Dasani	Nominal (1p) cost option	100% of salary of £300,000	£1.80	166,666	£300,000	25%	Three financial years to 31 December 2018 for the EPS Element and three years to 20 April 2019 for the TSR element

[1] The number of options was determined using the IPO share price of £1.80. The share price on the date of grant was £1.74.

The performance condition for these awards is set out below:

Performance condition	% of award subject to condition	Annual growth in EPS	% of PSP award which will vest
Annual growth in basic earnings per share (EPS) before exceptional items over a pro-forma 2015 EPS of 20.4p	50%	<8% per annum 8% per annum 15% per annum above	0% 25% 100%
Company's total shareholder return (TSR) against Index TSR	50%	<Index TSR At Index TSR Index TSR plus 25 percentage points	0% 25% 100%
Straight line vesting in between the performance points			

The Index comprises the following companies: Kingspan Group plc, Howden Joinery Group plc, Breedon Group plc, Ibstock plc, Marshalls plc, Polypipe Group plc, Tyman plc, Volution Group plc, Low & Bonar plc and Eurocell plc.

Directors' shareholding and share interests

Share ownership plays a key role in the alignment of our Executive Directors with the interests of shareholders. Our Executive Directors are expected to build up and maintain a 200% of salary shareholding in Forterra. Where an Executive Director does not meet this guideline then they are required to retain at least 50% of the net of tax vested shares under the Company's share plans until the guideline is met. The number of shares held by the Directors as at 31 December 2016 are as follows:

			Shares		Options		
	Shareholding Requirement (% salary)	Current Shareholding (% salary)[1]	Beneficially owned[2]	Deferred shares not subject to performance conditions[3]	Unvested PSP (nominal cost options subject to performance conditions)[4]	Outstanding Sharesave awards[5]	Shareholding requirement met
Executive Directors							
Stephen Harrison	200%	6%	14,111	277	277,777	13,333	No
Shatish Dasani	200%	48%	83,333	277	166,666	13,333	No
Non-Executive Directors							
Paul Lester	n/a	–	30,555	–	–	–	n/a
Justin Atkinson	n/a	–	25,000	–	–	–	n/a
Divya Seshamani	n/a	–	5,556	–	–	–	n/a
Bradley Boggess	n/a	–	–	–	–	–	n/a
Richard Cammerer Jr.	n/a	–	–	–	–	–	n/a

1 As at 31 December 2016. This is based on a closing share price of £1.73 and the year end salaries of the Executive Directors. Values are not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

2 Includes shares owned by connected persons.

3 Shares awarded granted under the Forterra All Employee Share Incentive Plan (SIP).

4 PSP awards are granted in the form of nominal (1p) cost options and are subject to performance criteria.

5 Sharesave grants made during the year under the Forterra Sharesave Plan on 24 October with an exercise price of £1.35 (awarded at a 20% discount to the share price at the date of launch). The earliest date the options can be exercised is 1 December 2019.

Between 31 December 2016 and the date of this report there were no changes in the shareholdings outlined in the above table.

Payments to past Directors/payments for loss of office (audited)

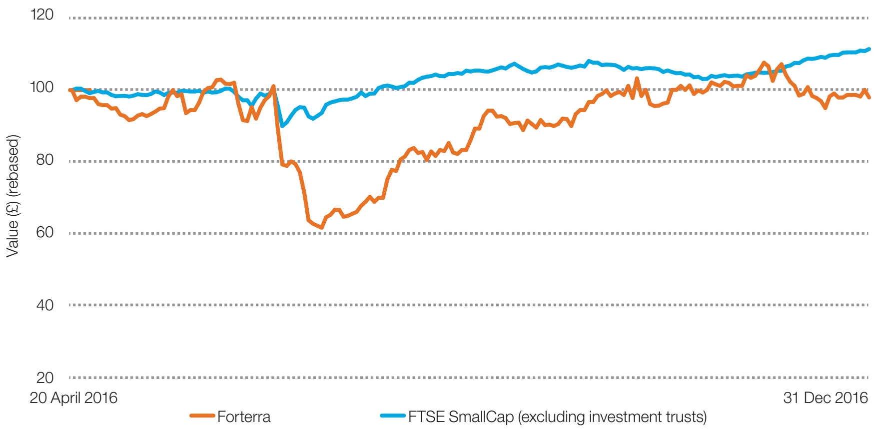
There were no departures and therefore no payments in the year.

Performance graph

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE Small Cap index excluding investment companies of which the Company is a constituent, from the start of conditional share dealing on 26 April 2016. The graph shows performance of a hypothetical £100 invested and its performance over that period.

Total shareholder return

Source: Datastream (Thomson Reuters)



This graph shows the value, by 31 December 2016, of £100 invested in Forterra on 20 April 2016, compared with the value of £100 invested in the FTSE SmallCap Index (excluding investment trusts) and the FTSE All Share Construction and Materials Index on a daily basis.

Chief Executive Officer's remuneration history

The table below sets out the total Chief Executive Officer's remuneration for 2016, together with the percentage of maximum annual bonus awarded in that year. A summary of remuneration paid will be provided and built up over time until 10 years' worth of data is shown.

The Committee does not believe that the remuneration payable in earlier years as a private company bears any comparative value to that which has been paid post IPO, therefore the Committee has chosen to disclose remuneration only for 2016. Comparative information will be provided in the 2017 Remuneration Report.

Chief Executive Officer	**2016**
Single total figure	**£985,806**[1]
Annual bonus (% of maximum)	**50.25%**
PSP award (% of maximum)	**–**[2]

1 Includes a one off bonus agreed prior to IPO of £400,000.

2 No awards under the Performance Share Plan are due to vest until 2019.

Change in Chief Executive Officer's remuneration compared with employees

The Committee has decided not to disclose this information on the grounds that it would be misleading. As disclosed in the notes to the single total figure remuneration table on page 64 the salary of the Chief Executive Officer increased significantly upon the listing of the Company in recognition of the increased scope and responsibility associated with the role. The Committee will disclose this information in the 2017 Annual Report on Remuneration.

Relative importance of total spend on pay

The following table shows the Company's actual spend on pay for all employees compared to distributions to shareholders in 2016. The Company did not exist in its current form in 2015 and as such there are no relevant comparators.

	Disbursements from profit in 2016 £m
Total spend on pay, including Directors	**72.6**
Distributions to shareholders by way of dividend[1]	**4.0**

[1] Interim dividend of £0.02 per share paid in October 2016.

Advisors to the Remuneration Committee

The Remuneration Committee has access to independent advice where it considers it appropriate. The Committee seeks advice relating to executive remuneration from New Bridge Street (NBS), part of Aon plc. Aon plc also provides other remuneration and benefits services to the Group and the Committee is satisfied that no conflict of interest exists in the provision of these services.

The Committee is satisfied that the advice received by NBS in relation to executive remuneration matters during the year was objective and independent. NBS is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial. The fees paid to NBS during the year totalled £0.2 million of which £0.1 million related to pre-IPO advice, primarily relating to the design, development and roll-out of the post-Admission Remuneration Policy and share based reward schemes. £0.1 million was paid to NBS in respect of post listing remuneration advice.

Statement of shareholder voting

As mentioned previously, Forterra has not held an AGM since listing and therefore no voting outcomes are available. Details of remuneration related voting outcomes will be published in next year's Remuneration Committee Report.

Approval

This Remuneration Committee Report, comprising the Annual Statement, Remuneration Policy and Annual Report on Remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Paul Lester CBE
Chairman of the Remuneration Committee

Directors' Report

The Directors present their report for the financial year ended 31 December 2016. The information required by the Listing Rules (DTR 4.1.8R) is contained in the Strategic Report and the Directors' Report. Forterra plc is incorporated in England and Wales with company number 09963666.

Cross references to other sections of the Annual Report and Accounts

The Company's Strategic Report on pages 2 to 37 includes the following information that would otherwise be required to be presented in this Directors' Report.

Subject matter	Section and page reference
Likely future developments in the business	Strategic Report
Risk management	Strategic Report, page 34
Financial instruments	Consolidated Financial Statements, page 101
Employee engagement, diversity and inclusivity	Strategic Report, page 32
Greenhouse gas emissions	Strategic Report, page 31

The following disclosures required under LR 9.8.4R can be found elsewhere in the Annual Report as laid out below:

Subject matter	Section and page reference
Information regarding the relationship agreement with LSF9 Concrete II (Lone Star Funds)	Corporate Governance Statement, page 44
Long-term incentive schemes	Annual Report on Remuneration, page 66

Directors

The Directors of the Company who served during the year and to the date of this report are listed on pages 38 to 39. Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on page 67.

Dividends

An interim dividend of 2.0p per ordinary share was paid on 19 October 2016 to those shareholders on the register on 30 September 2016. Subject to securing shareholder approval at the 2017 AGM the Directors are proposing a final dividend for the financial year ended 31 December 2016 of 3.8p per ordinary share, this brings the total dividend for the year to 5.8p. If approved at the AGM, payment of the final dividend will be made to shareholders registered at the close of business on 16 June 2017 and will be paid on 6 July 2017.

Articles of Association

The Company's Articles of Association give powers to the Board to appoint Directors. Newly appointed Directors are required to retire and submit themselves for re-election by the shareholders at the first Annual General Meeting following their appointment. In practice however all Directors are expected to retire and seek re-election on an annual basis.

The Board of Directors may exercise all of the powers of the Company subject to the provisions of relevant laws and the Company's Memorandum and Articles of Association. These include specific provisions and restrictions regarding the Company's ability to borrow money and to issue and repurchase shares.

The Articles of Association may be amended in accordance with the provisions of the Companies Act 2006 by way of a special resolution of the Company's shareholders.

Share capital and control

Details of the Company's share capital are included within note 25 of the Consolidated Financial Statements on page 104.

As at 31 December 2016 there were 200,442,068 ordinary shares of 1p nominal value in issue. The share capital was reorganised ahead of the listing and details of this reorganisation can be found in note 25 of the Consolidated Financial Statements.

Following the capital reorganisation the Company has one class of shares, ordinary shares of 1p nominal value, which carry equal rights to dividends, voting and return of capital on winding up of the Company. There are no restrictions on the transfer of securities in the Company and there are no restrictions on any voting rights other than those prescribed by law, nor is the Company aware of any arrangement which may result in restrictions on the transfer of securities or voting rights nor any arrangement whereby a shareholder has waived or agreed to wave dividends.

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under the Company's share based incentive schemes.

The Company has established a Trust in connection with the Group's Share Incentive Plan (the SIP) which holds ordinary shares on trust for the benefit of employees of the Group. The Trustees of the SIP Trust may vote in respect of Forterra shares held in the Trust but only as instructed by participants in the SIP in accordance with the deed and rules governing the scheme. The Trustees will not otherwise vote in respect of the shares held in the SIP Trust.

The Employee Benefit Trust (the 'EBT') has been established to satisfy future awards vesting under the Performance Share Plan (the 'PSP'), the Deferred Annual Bonus Plan (the 'DABP') and the Sharesave Scheme. As at 31 December 2016 the EBT did not hold any shares in the Company.

Substantial shareholdings

At 31 December 2016 the Company in accordance with the Disclosure Guidance and Transparency Rules has been notified of the following interests in its ordinary share capital.

Name of shareholder	Number of shares disclosed	% Interest in voting rights	Nature of holding
LSF9 Concrete II Limited (Lone Star Funds)	128,666,827	64.19	Direct
Pelham Long/Short Small Cap Master Fund Ltd[1]	13,700,000	6.83	Direct
Standard Life Investments (Holdings) Limited	10,956,567	5.47	Indirect

[1] Includes contracts for equity swaps totalling 450,000 voting rights (0.22%).

In the period from 1 January 2017 to the date of this report the following notifications were received.

Name of shareholder	Number of shares disclosed	% Interest in voting rights	Nature of holding
LSF9 Concrete II Limited (Lone Star Funds)	105,666,827	52.72	Direct
J O Hambro Capital Management Limited	10,534,989	5.26	Indirect

Information provided to the Company in accordance with the Disclosure Guidance and Transparency Rules is publicly available via the Regulatory News Service and on the Company's website.

Significant agreements (change of control)

The Company's committed credit facilities as described in note 21 of the Consolidated Financial Statements on page 101 are subject to provisions that require the mandatory prepayment of the facilities on a change of control. For this purpose, a change of control is defined as any person or group of persons acting in concert (other than Lone Star Funds) gaining direct or indirect control of the Company. For the purposes of this definition control of the Company means the holding beneficially (directly or indirectly) of the issued share capital of the Company having the right to cast more than 30% of the votes capable of being cast in general meetings of the Company.

There are no agreements between the Group and its Directors and employees providing for compensation for loss of office or employment (whether through resignation purported redundancy or otherwise) in the event of a takeover bid.

Post balance sheet events

There have been no significant events affecting the Group since the end of the year. Details of developments in the year under review are contained within the Strategic Report.

Political donations

The Group made no donations during the year to any political party or other political organisation.

Going concern

The Directors have assessed the Group's current financial position and the factors likely to affect performance in the coming year in light of current and anticipated economic conditions. Based on this assessment the Directors can have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements. On this basis the going concern concept has been adopted in the preparation of this Annual Report and Financial Statements.

The Directors are also required to provide a broader assessment of viability over a longer period which can be found on page 34.

In making the going concern statement and the viability statement the Directors have taken into account the Guidance on Risk management, Internal Controls and Related Financial and Business Reporting issued by the Financial Reporting Council in September 2014.

Statement of disclosure of information to the auditor

Each Director of the Company confirms that as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps they ought to have taken individually as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The 2017 AGM will be held on Tuesday 23 May 2017. Full details are contained in the Notice convening the AGM, which is being sent to shareholders with this Annual Report.

Benjamin Guyatt
Company Secretary

15 March 2017

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 2006 to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law, the Directors are required to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and applicable law.

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 IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Consolidated and Company Financial Statements respectively;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company, and which enable them to ensure that the Financial Statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are set out on pages 38 to 39 confirm that, to the best of their knowledge:

- the Consolidated Financial Statements of the Group, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained within this document includes a fair review of the development and performance of the business and the position of the Group together with a description of principal risks and uncertainties that the Group faces.

Stephen Harrison
Chief Executive Officer

Shatish Dasani
Chief Financial Officer

15 March 2017

Independent Auditor's Report to the members of Forterra plc

Our opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation.

What we have audited

Forterra plc's Financial Statements comprise:

Group	Company
Consolidated Balance Sheet as at 31 December 2016	Company Balance sheet as at 31 December 2016
Consolidated Statement of Total Comprehensive Income for the year then ended 31 December 31 December 2016	Company Statement of Changes in Equity for the year then ended 31 December 2016
Consolidated Statement of Cash Flows for the year then ended 31 December 2016	Related notes 1 to 11 to the Company Financial Statements
Consolidated Statement of Changes in Equity for the year then ended 31 December 2016	
Related notes 1 to 30 to the Consolidated Financial Statements	

The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Overview of our audit approach

Risks of material misstatement	• Revenue recognition and accounting for customer rebates. • Management override of decommissioning and restoration provision. • Accounting for exceptional items. • Valuation of finished goods within inventory.
Audit scope	• We performed a full scope audit of the complete financial information for the main trading component and the plc entity and audit procedures on specific balances for a further three components. • The components where we performed full or specific audit procedures accounted for 99% of profit before tax, 100% of revenue and 98% of total assets.
Materiality	• Overall Group materiality of £2.3 million which represents 5% of profit before tax stated before exceptional items.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (£294.5 million stated net of rebates, 2015: £290.2 million) and accounting for rebates *There is a risk of inappropriate revenue recognition if revenue is recorded in the wrong period or if customer rebates are incorrectly recorded.*	Revenue recognition We identified and assessed key controls over the revenue process for Forterra Building Products and concluded the controls to be effective. We relied on these controls in our audit approach. We tested revenue throughout the period by selecting a sample of transactions to ensuring they met the IFRS revenue recognition criteria and traced them to source documentation to ensure they were appropriately recorded. We inspected the financial impact of transactions around the period end and tested a sample of these to ensure they were recorded in the correct period. We utilised data analytics to track the revenue recognised in the year through to cash. Accounting for rebates We selected a sample of customer rebates for significant customers and inspected the terms, confirmed these terms through direct confirmation from customers, confirmed the sales data on which the rebate is based and recalculated the rebates, performing year on year analysis to understand the material changes in the provision and expense. To assess the completeness of rebates, we assessed the aged debtors, post period end credit notes and reviewed journal entry transactions recorded through data analytics analysis for evidence of any unrecorded amounts. We also made enquiries of management and a sample of customers for any other rebate arrangements.	Based on our procedures we are satisfied that revenue and rebates are appropriately stated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override of the decommissioning and restoration provision (£11.4 million, 2015: £11.7 million) *The decommissioning and restoration provision is subject to management judgements due to the level of uncertainty which surrounds the ultimate cash outflow.*	We have audited management's methodology applied in preparing the calculation of the decommissioning and restoration provision (including the underlying assumptions), walking through controls over the process. Our valuation specialists have independently evaluated the discount and inflation rates used by management. Our analysis produced a range of appropriate outcomes for both of the assumptions when benchmarked against market data. We concluded that management's assumptions were within an acceptable range. We verified management's cost calculation of the decommissioning and restoration costs for each site, which is based on an independent third party consultant's assessment, including verifying the useful lives of each site. We have assessed the methodology used, confirming its compliance with IFRS and the appropriateness of the cost calculated. We have assessed the appropriateness of the overall provision through year on year analysis.	The assumptions used in the valuation of the decommissioning and restoration provision are considered within an acceptable range. Based on the procedures performed we conclude that the valuation of the provision is considered to be appropriate.
Accounting for exceptional items (£8.9 million, 2015: £11.6 million) *The Group has undergone a reorganisation prior to listing in April 2016 and has incurred significant costs in the current and previous periods.* *We consider there to be a risk that certain costs included within the exceptional items are not exceptional by nature.*	We have assessed each of the categories for recognition against IAS 1 and understood management's basis on which they have concluded that these are exceptional by nature. We have selected a sample of underlying transactions to confirm the appropriate recording of the amounts and to assess their consistency with the category that they are recognised within.	Based on the procedures performed we are satisfied that the amounts recognised as exceptional are appropriate.
Valuation of finished goods within inventory (£31.5 million, 2015: £32.9 million) *The valuation of inventory is considered to be a significant risk in particular the risk that the inventory will be recognised at above its net realisable value.*	We have identified and walked through key controls over the inventory valuation process to assess whether they have been designed effectively. We have assessed the impact of managements standard cost adjustment including validating the underlying data. We have assessed management's paper on the basis for recognising each adjustment including obtaining supporting schedules. We have validated management's inventory provisions through assessing the appropriateness of the methodology, recalculation, and testing the underlying sales data to ensure it is correct and have assessed for obsolescence and net realisable value.	Based on the procedures we have performed we have concluded that the inventory has been appropriately recorded at the year end.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

Of the five components of the Group, we performed a full scope audit of the complete financial information of two components ('full scope components') which were selected based on their size or risk characteristics. For the remaining three components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the Financial Statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2015: 98%) of the Group's adjusted profit before tax, 100% (2015:100%) of the Group's revenue and 98% (2015: 99%) of the Group's total assets.

For the current year, the full scope components contributed 97% (2015: 93%) of the Group's adjusted profit before tax, 97% (2015: 96% of the Group's revenue and 96% (2015: 97%) of the Group's total assets.

The specific scope component contributed 2% (2015: 5%) of the Group's adjusted profit before tax, 3% (2015: 3%) of the Group's revenue and 2% (2015: 2%) of the Group's total assets. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The remaining component represents less than 1% of the Group's adjusted profit before tax. For this component, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Consolidated Financial Statements.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.3 million (2015: £1.9 million), which is 5% (2015: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the most appropriate basis for materiality based on the level of the one-off charges recorded in the year due to the IPO and Group reorganisation.

Starting basis	Adjustments	Materiality
• Profit before tax – £37.1 million. • We begin our assessment for materiality based on profit before tax.	• Adjustment for exceptional items – £8.9 million.	• Total £46 million adjusted profit before tax. • Materiality of £2.3 million (5% of adjusted profit before tax).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was set at 75% (2015: 50%) of our planning materiality, namely £1.7 million (2015: £0.9 million). The movement in the performance materiality percentage has been caused due to changes in the risk profile of the business.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.3 million to £0.4 million (2015: £ 0.6 million to £0.2 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2015: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 73, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.
- based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement set out on pages 41 to 45 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures and in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority:
  - is consistent with the Financial Statements; and
  - has been prepared in accordance with applicable legal requirement.
- based on the work undertaken rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (with respect to the Company's corporate governance code and practices about its administrative, management and supervisory bodies and their committees) have been complied with if applicable.

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is: • materially inconsistent with the information in the audited Financial Statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. We are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company Financial Statements and the part of the Directors' Remuneration Report to be audited 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 no exceptions to report.
Listing rules review requirements	We are required to review: • the Directors' statement in relation to going concern, set out on page 72, and longer-term viability; and • the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; • the Directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and • the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

[1] The maintenance and integrity of the Forterra plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the web site.

[2] Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Consolidated Statement of Total Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Revenue	4	**294.5**	290.2
Cost of sales		**(171.2)**	(167.7)
Gross profit		**123.3**	122.5
Distribution costs		**(42.8)**	(45.3)
Administrative expenses		**(31.5)**	(28.2)
Other operating income	7	**2.3**	0.5
Operating profit	5	**51.3**	49.5
EBITDA before exceptional items		**70.6**	70.5
Exceptional items	9	**(8.9)**	(11.6)
Depreciation and amortisation	14,15	**(10.4)**	(9.4)
Operating profit		**51.3**	49.5
Net finance expense	10	**(14.2)**	(27.3)
Profit before tax		**37.1**	22.2
Income tax expense	11	**(9.6)**	(4.2)
Profit for the year attributable to equity shareholders of the parent		**27.5**	18.0
Total comprehensive income for the year		**27.5**	18.0
Total comprehensive income for the year attributable to equity shareholders of the parent		**27.5**	18.0

Earnings per share		Pence	
Basic earnings per share	13	**13.8**	
Diluted earnings per share	13	**13.7**	

The calculation of earnings per share on a pro-forma basis is shown within note 13 of these Consolidated Financial Statements.

Consolidated Balance Sheet

At 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets	14	**13.7**	13.3
Property, plant and equipment	15	**147.2**	149.5
Deferred tax assets	16	**0.4**	1.8
		161.3	164.6
Current assets			
Inventories	17	**39.0**	40.9
Trade and other receivables	18	**31.6**	28.6
Trade and other receivables with related parties	30	**–**	23.0
Cash and cash equivalents	19	**56.2**	24.2
		126.8	116.7
Total assets		**288.1**	281.3
Current liabilities			
Trade and other payables	20	**(51.5)**	(55.6)
Trade and other payables with related parties	30	**(0.7)**	(13.9)
Income tax liabilities		**(3.8)**	(1.9)
Loans and borrowings	21	**(10.7)**	(405.6)
Provisions for other liabilities and charges	24	**(5.7)**	(3.2)
		(72.4)	(480.2)
Non-current liabilities			
Loans and borrowings	21	**(137.8)**	–
Provisions for other liabilities and charges	24	**(8.7)**	(11.7)
		(146.5)	(11.7)
Total liabilities		**(218.9)**	(491.9)
Net assets/(liabilities)		**69.2**	(210.6)
Capital and reserves attributable to equity shareholders of the parent			
Ordinary shares	25	**2.0**	0.1
Share premium	25	**–**	46.5
Retained earnings/(accumulated deficit)		**67.2**	(257.2)
Total equity		**69.2**	(210.6)

The notes on pages 86 to 107 are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 15 March 2017 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Shatish Dasani
Chief Financial Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Cash flows from operating activities			
Operating profit before exceptional items		**60.2**	61.1
Adjustments for:			
– Depreciation and amortisation	14,15	**10.4**	9.4
– Non-cash movement on provisions	24	**(0.4)**	1.1
– Share-based payments	28	**0.5**	–
– Other non-cash items		**0.3**	0.7
– Profit on sale of property, plant and equipment	7	**(0.2)**	–
Changes in working capital:			
– Inventories		**1.7**	(10.3)
– Trade and other receivables		**(3.1)**	(23.3)
– Trade and other payables		**0.7**	16.5
– Cash movement on provisions		**(0.3)**	(1.4)
Operating cash flow before exceptional items		**69.8**	53.8
Cash flows relating to exceptional items	29	**(13.6)**	(3.8)
Cash generated from operations		**56.2**	50.0
Interest paid		**(12.4)**	(26.4)
Tax paid		**(6.3)**	(3.3)
Net cash generated from operating activities		**37.5**	20.3
Cash flows from investing activities			
Purchase of property, plant and equipment		**(9.0)**	(12.5)
Purchase of intangible assets		**(0.1)**	–
Proceeds from sale of property, plant and equipment		**0.3**	0.1
Net cash used in investing activities		**(8.8)**	(12.4)
Cash flows from financing activities			
Settlement on exiting HeidelbergCement AG centralised cash pool		**–**	(4.7)
Dividends paid	12	**(4.0)**	–
Drawdown of borrowings		**167.0**	–
Repayment of borrowings		**(156.7)**	–
Finance arrangement fees paid		**(3.0)**	–
Net cash generated from/(used in) financing activities		**3.3**	(4.7)
Net increase in cash and cash equivalents		**32.0**	3.2
Cash and cash equivalents at the beginning of the period	19	**24.2**	21.0
Cash and cash equivalents at the end of the period	19	**56.2**	24.2

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital £m	Share premium £m	Deferred shares £m	Retained earnings £m	Total equity £m
Balance at 1 January 2015		**0.1**	**46.5**	–	**(275.2)**	**(228.6)**
Profit for the year		–	–	–	18.0	18.0
Total comprehensive income for the year		–	–	–	18.0	18.0
Balance at 31 December 2015		**0.1**	**46.5**	–	**(257.2)**	**(210.6)**
Profit for the year		–	–	–	27.5	27.5
Total comprehensive income for the year		**–**	**–**	**–**	**27.5**	**27.5**
Adjustment to reserves on Group reorganisation	25	(0.1)	(46.5)	–	–	(46.6)
Issue of share capital	25	2.2	44.4	–	–	46.6
Reclassification of ordinary shares to deferred shares	25	(0.2)	–	0.2	–	–
Capitalisation of shareholder loan note	25	–	255.8	–	–	255.8
Capital reduction	25	–	(300.2)	(0.2)	300.4	–
Dividends paid	12	–	–	–	(4.0)	(4.0)
Share-based payments	28	–	–	–	0.5	0.5
Balance at 31 December 2016		**2.0**	**–**	**–**	**67.2**	**69.2**

Notes to the Financial Statements

1 General information

Forterra plc ('Forterra' or the 'Company') and its subsidiaries (together referred to as the 'Group') are domiciled in the UK. The address of the registered office of the Company is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise the group (the 'Group'). The principal activity of the Group is the manufacture and sale of bricks, dense and lightweight blocks, precast concrete, concrete block paving and other complementary building products.

Forterra plc was incorporated on 21 January 2016 for the purpose of listing the Group on the London Stock Exchange. Forterra plc acquired the shares of Forterra Building Products Limited on 20 April 2016, which to that date held the Group's trade and assets, before admission to the main market of the London Stock Exchange. Further details on the acquisition and Group restructuring activities are disclosed in note 25.

The Consolidated Financial Statements for the year ended 31 December 2016 were approved for issue by the Board of Directors on 15 March 2017.

2 Summary of significant accounting policies

(a) Basis of preparation

Forterra plc was incorporated on 21 January 2016, however the Consolidated Financial Statements for the year ended 31 December 2016 and comparatives for the year ended 31 December 2015 have been prepared on the basis that Forterra plc was in existence throughout both periods. The terms of the acquisition of Forterra Building Products Limited's shares was such that the Group reconstruction should be accounted for as a continuance of the existing Forterra Building Products Limited group rather than as an acquisition. Accordingly the Consolidated Financial Statements for both periods have been prepared on this basis, extracting financial information from the consolidated statutory accounts of Forterra Building Products Limited for both the year ended 31 December 2015 and the period prior to the incorporation of Forterra plc in 2016.

The accounting policies used in the preparation of the Consolidated Financial Statements are set out below. These accounting policies have been used consistently in all material respects across the periods presented. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest hundred thousand unless otherwise indicated.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 3.

(b) Going concern

The Group meets its day-to-day working capital requirements through its cash reserves and borrowings. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date that the Financial Statements are signed. The Group therefore adopts the going concern basis in preparing its Consolidated Financial Statements.

Further, the Group sets out on pages 22 to 23 of its Strategic Report the financial position, performance, cash flows and borrowing facilities and on page 34 its Viability Statement. In addition, note 23 to the Consolidated Financial Statements includes the Group's objectives, policies and procedures for financial risk management, including details of exposure and response to foreign exchange, interest rate, credit and liquidity risks.

(c) New standards, amendments and interpretations

The following new standards and amendments to standards have been issued and considered:

IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)

IFRS 9 – Financial instruments (effective 1 January 2018)

IFRS 16 – Leases (effective 1 January 2019)

IFRS 16 will replace IAS 17 'Leases' and will become effective for accounting periods beginning 1 January 2019. The standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of Financial Statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for by lessees on balance sheet. The Group has begun a systematic review of leases held to ensure the effects are understood and changes to the current accounting procedures are highlighted and acted upon in advance of the effective date. Further information about the Group's operating leases is set out in note 26.

Other than the impact of IFRS 16 as noted above, the Group does not expect a significant net impact from the adoption of these new standards. The Group has chosen not to adopt any of the above standards and interpretations earlier than required.

(d) Basis of consolidation

The Group controls an entity when it is exposed to, or has rights to, variable returns and has the ability to affect those returns through its power over the entity. A subsidiary is an entity over which the Group has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated.

(e) Foreign currency translation

The functional and presentational currency of the Group is Pounds Sterling; the currency of the primary economic environment in which the Group operates.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at period end, are recognised in the Group's Consolidated Statement of Total Comprehensive Income.

(f) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for goods supplied, net of rebates, discounts, returns and value added taxes. The Group recognises revenue when the goods have been delivered and the risks and rewards have passed to the purchaser. The Group provides volume based rebates to certain customers normally on an annual basis. The estimated obligation at the year end is recorded within accrued liabilities and other payables.

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Operating Board which has been identified as the chief operating decision maker.

(h) Exceptional costs

The Group presents as exceptional items on the face of the Consolidated Statement of Total Comprehensive Income, those material items of income and expense, which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand elements of financial performance in the period.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, costs attributable to bringing the asset to working condition for intended use, the initial estimate of any decommissioning obligation and associated changes to those estimates. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate assets.

Subsequent costs are included in the asset's carrying value where they meet the recognition criteria.

Assets are derecognised on disposal. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of an asset and are recognised in the Consolidated Statement of Total Comprehensive Income. Where no future economic benefit is expected from the use of an asset, a provision is made against its carrying value in accordance with IAS 37.

Land and assets under construction are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the assets estimated useful life. The estimated useful lives of assets are as follows:

- Freehold buildings – 40 years
- Leasehold buildings – Shorter of the useful life and the lease term
- Plant and machinery – 4 to 25 years

Asset residual values are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down if it is in excess of recoverable amount.

Borrowing costs and repairs and maintenance expenses are recognised as an expense in the Consolidated Statement of Total Comprehensive Income.

2 Summary of significant accounting policies continued

(j) Intangible assets

(i) Goodwill

Goodwill arose on the historic acquisitions of businesses, trade and assets where consideration paid exceeded the fair value at the acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs). Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. Any impairment is recognised immediately as an expense in the Consolidated Statement of Total Comprehensive Income and is not subsequently reversed.

(ii) Brand

The Thermalite brand is classified as an indefinite life intangible asset due to the longevity of the brand and there not being a time limit on when benefit will be gained.

Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

(iii) Other intangible assets

Other intangibles consists of clay rights, merchant relationships, order book, patent and software development costs. These are attributable to both reportable segments. All other intangible assets have finite lives and are carried at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of these intangible assets over their estimated useful lives of 4 to 30 years. Amortisation of clay rights are treated as cost of sales. Amortisation of all other intangible assets are treated as administrative expenses.

(k) Financial instruments

The Group determines the classification of financial assets and financial liabilities at initial recognition. The principal financial assets and liabilities of the Group are as follows:

(i) Trade and other receivables (excluding prepayments)

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. All trade receivables are expected to be settled in one year or less.

Trade receivables are reported net of provisions. Provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the Consolidated Statement of Total Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(ii) Trade and other payables (excluding statutory non-financial liabilities)

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits. Prior to February 2015 the treasury activities were centralised by HeidelbergCement AG and net cash collections were automatically distributed and reflected as a cash pooling related party receivable/payable.

(iv) Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance expense.

(v) Derivative financial instruments

The Group uses derivative financial instruments, in particular forward foreign exchange contracts and options, to manage the financial risks arising from business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes. No derivatives have been designated as hedges in the periods presented.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of direct materials and labour plus attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred in production and sale. The Group applies an inventory provision for damaged, obsolete, excess and slow-moving inventory.

(m) Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle that obligation and the amount can be reliably measured. If the effect is material the provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The change in provisions due to passage of time is recognised as a net finance expense.

Provisions are not made for future operating losses.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(o) Operating leases

Leases in which a significant portion of the risk and reward is not transferred to the Group are classified as operating leases. The total rentals payable under operating leases are charged to the Consolidated Statement of Total Comprehensive Income on an accrual basis over the lease term. Operating lease incentives, which primarily include rent free periods, are capitalised and released as a rental expense within the Consolidated Statement of Total Comprehensive Income over the lease term. The Group has no finance leases.

(p) Net finance expense

Finance expense

Finance expense comprises interest payable on borrowings from external and related parties, direct issue costs and unwinding of discounts on long-term provisions. Finance expense is recognised in the Consolidated Statement of Total Comprehensive Income as it accrues using the effective interest method.

Finance income

Finance income comprises interest receivable on funds invested.

(q) Current and deferred income tax

Income tax for the periods presented comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, unless it relates to items in other comprehensive income or equity.

The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(r) Employee benefits

The Group operates a defined contribution pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when due.

(s) Share-based payments

The Group operates a number of equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of shares or options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of shares or options granted. Fair values are adjusted where non-market vesting conditions are attached to a particular scheme. At each balance sheet date the Group revises its estimates of the number of shares or options that are expected to vest and recognises the impact of the revision on original estimates, if any, in the Consolidated Statement of Total Comprehensive Income, with a corresponding adjustment to equity.

(t) Own shares held by employee benefit trusts

The Group has established two separate employee benefit trusts for the purposes of satisfying awards under the Group's share-based incentive schemes. Shares in the Group acquired by the trusts are deducted from equity until shares vest or are cancelled, reissued or disposed. At 31 December 2016 442,068 ordinary shares had been issued into trust. Shares were issued at nominal value, therefore, although the Trust has been consolidated within the Financial Statements there is no monetary impact to the Consolidated Statement of Changes in Equity in the period presented.

3 Critical accounting judgements and estimates

The preparation of the Consolidated Financial Statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

(a) Impairment of Property, plant and equipment

Where there is evidence of potential diminution in value, the Group reviews an item of property, plant and equipment, to assess whether the recoverable amount exceeds the carrying value. The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to the assumptions made about the revenue growth, EBITDA margin, the long-term growth rate of the relevant market, and the discount rate considered appropriate to reflect the time value of money and any risks specific to the asset that are not reflected in the cash flows.

The Group did not recognise an impairment charge in relation to property, plant and equipment in the year.

(b) Impairment of Intangible assets

The Group evaluates its intangible assets with finite lives for indications of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment review include significant under-performance relative to expected historical or projected future operating results, significant changes in the manner of our use of the acquired assets or the strategy for our overall business or significant negative industry or economic trends. Where there is evidence of diminution in value, the intangible asset is reviewed to assess whether the recoverable amount exceeds the carrying value.

Assets not subject to amortisation including goodwill and brands are tested annually for impairment, as discussed in note 14.

The recoverable amount is defined as the higher of fair value less costs to sell and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to the assumptions made about the revenue growth, EBITDA margin, the long-term growth rate of the relevant market, and the discount rate considered appropriate to reflect the time value of money and any risks specific to the asset that are not reflected in the cash flows.

(c) Provisions for restoration and decommissioning obligations

The provisions for restoration and decommissioning obligations are made based on the Group's best estimate of the likely committed cash outflow. These estimated outflows are discounted to net present value. The key estimates requiring judgement associated with calculating the provision relate to the cost to perform the necessary remediation work as at the reporting date together with determining the year of retirement. This estimation process requires specialist input and takes into consideration the discount rate, inflation rate and the useful lives of sites.

(d) Accounting for customer rebates

The Group has a number of contracts with its customers which contain volume driven rebate mechanisms. Management are required to make judgements regarding the expected rebate achievement and make appropriate allowance for these uncertain liabilities.

(e) Inventory valuation and provisioning

The carrying value of the Group's finished goods inventory, specifically the level of provisions recognised against potential obsolescence, requires commercial judgement.

(f) Share-based payments

Following admission to the London Stock Exchange, the Group launched a number of share-based payment reward schemes. External advice was sought both in the initial design of the schemes and in respect of the accounting judgements made regarding the outcome of performance targets, share performance and lapse rates.

(g) Exceptional items

Exceptional items are disclosed separately in the Consolidated Financial Statements where management believes it is necessary to do so to better understand the financial performance of the Group.

Management has considered both the costs associated with the IPO of the Group in April 2016 and costs relating to the separation from HeidelbergCement AG in 2015 and Forterra Inc in 2016 and has judged that presenting these transactions as exceptional items within the Consolidated Statement of Total Comprehensive Income enables a full understanding of the Group's financial performance.

(h) Additional performance measures

Additional performance measures are presented within the Consolidated Financial Statements where management believe that their presentation allows shareholders to properly understand the financial performance of the Group. Management have judged the following additional performance measures beneficial in comparing the periods presented in the Consolidated Financial Statements.

(i) EBITDA before exceptional items

Management use EBITDA before exceptional items in calculating compliance with banking covenants. EBITDA is defined as earnings before interest, tax, depreciation and amortisation.

(ii) Pro-forma basis

Pro-forma basis is presented within earnings per share (note 13) as an additional performance measure and is adjusted for exceptional items, additional costs related to being a stand-alone plc and with finance costs restated to present the debt facility at IPO as if it had been in place throughout both years.

	2016 £m	2015 £m
Operating profit for the year	**51.3**	49.5
Exceptional items	**8.9**	11.6
Additional costs in 2016 as a stand-alone plc	**–**	(3.0)
Operating profit before exceptional items (pro-forma basis)	**60.2**	58.1
Finance charge (based on debt structure at IPO for full period)	**(5.9)**	(5.8)
PBT before exceptional items (pro-forma basis)	**54.3**	52.3
Tax charge at effective rate	**(11.3)**	(11.0)
Profit for the year before exceptional items (pro-forma basis)	**43.0**	41.3

Plc related operating costs of £3.0m in 2016 have also been deducted in 2015 to show performance comparatively across both years.

Finance costs have been calculated for 2016 at £5.9m (2015: £5.8m) on the basis that the Group had the post IPO financing structure in place throughout both years. Up to the date of IPO both the debt level and interest rate on borrowings were significantly higher than the Group's post IPO financing arrangements.

On the basis of the adjustments made above, tax presented within the pro-forma information has been recalculated at the effective tax rate before exceptional items of 20.9% (2015: 21.1%).

4 Segmental reporting

Management has determined the operating segments based on the management reports reviewed by the Operating Board that are used to assess both performance and strategic decisions. Management has identified that the Operating Board is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'.

The Operating Board considers the business to be split into three operating segments: Bricks, Blocks and Bespoke Products. The principal activity of the operating segments are:

- Bricks – Manufacture and sale of bricks to the building sector
- Blocks – Manufacture and sale of concrete blocks to the building sector
- Bespoke Products – Manufacture and sale of bespoke products to the building sector

The Operating Board considers that, for reporting purposes, the operating segments above can be aggregated into two reporting segments: Bricks and Blocks and Bespoke Products. The aggregation of Bricks and Blocks is due to these operating segments having similar long-term average margins, production process, suppliers, customers and distribution methods.

The Bespoke Products range includes precast concrete, permeable paving, chimney and roofing solutions, each of which are typically made-to-measure or customised to meet the customer's specific needs. The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, including permeable paving and chimney flues, are complemented by the Group's bespoke specification and design service.

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, have been allocated to the segments for reporting purposes using relative sales proportions. Management considers that this is an appropriate basis for the allocation.

The revenue recognised in the Consolidated Statement of Total Comprehensive Income is all attributable to the principal activity of the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products.

Substantially all revenue recognised in the Consolidated Statement of Total Comprehensive Income arose within the UK.

4 Segmental reporting continued

Segment revenue and results:

	2016			
	Note	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		221.3	74.8	296.1
Intersegment eliminations				(1.6)
Revenue				294.5
EBITDA before exceptional items		63.6	7.0	70.6
Depreciation and amortisation	14,15	(9.6)	(0.8)	(10.4)
Operating profit before exceptional items		54.0	6.2	60.2
Exceptional items	9			(8.9)
Operating profit				51.3
Net finance expense	10			(14.2)
Profit before tax				37.1

Segment assets:

	2016			
	Note	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	15	132.5	14.7	147.2
Intangible assets	14	7.4	6.3	13.7
Inventories	17	34.4	4.6	39.0
Unallocated assets				88.2
Total assets				288.1

Other segment information:

	2016			
	Note	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment additions	15	7.7	0.5	8.2
Intangible asset additions	14	0.5	0.2	0.7

Customers representing 10% or greater of revenues were as follows:

	2016		
	Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	37.7	2.4	40.1
Customer B	31.9	4.5	36.4

Segment revenue and results:

	Note	2015 Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		218.0	73.7	291.7
Intersegment eliminations				(1.5)
Revenue				290.2
EBITDA before exceptional items		**63.9**	**6.6**	**70.5**
Depreciation and amortisation	14,15	(8.5)	(0.9)	(9.4)
Operating profit before exceptional items		**55.4**	**5.7**	**61.1**
Segment exceptional items	9	–	(2.4)	(2.4)
Unallocated exceptional items	9			(9.2)
Operating profit				**49.5**
Net finance expense	10			(27.3)
Profit before tax				**22.2**

Segment assets:

	Note	2015 Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	15	134.5	15.0	149.5
Intangible assets	14	7.1	6.2	13.3
Inventories	17	36.1	4.8	40.9
Unallocated assets				77.6
Total assets				**281.3**

Other segment information:

	Note	2015 Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment additions	15	13.0	0.9	13.9

Customers representing 10% or greater of revenues were as follows:

	2015 Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	46.0	1.7	47.7
Customer B	32.8	4.4	37.2

5 Operating profit

Profit from operations is stated after charging:

	2016 £m	2015 £m
Depreciation and amortisation	**(10.4)**	(9.4)
Operating lease expense	**(6.7)**	(5.2)
Share-based payments	**(0.5)**	–

6 Auditor remuneration

	2016 £m	2015 £m
Audit services:		
Fees payable for the audit of the Company and Consolidated Financial Statements	**(0.1)**	–
Fees payable for the audit of the subsidiary Financial Statements	**(0.2)**	(0.4)
	(0.3)	(0.4)
Other services:		
Fees payable for other non-audit services	**(0.4)**	(1.3)
	(0.4)	(1.3)
	(0.7)	(1.7)

In both 2015 and 2016 other services comprised mainly the costs relating to the listing of the Group on the London Stock Exchange.

7 Other operating income

	Note	2016 £m	2015 £m
Profit on sale of property, plant and equipment		**0.2**	–
Loss on disposal of subsidiary	27	**(0.1)**	–
Other income		**0.6**	0.5
Indemnity payment received	9	**1.6**	–
		2.3	0.5

8 Employment costs

Staff costs for the Group during the year

	2016 £m	2015 £m
Wages and salaries	**(61.1)**	(58.5)
Pension costs	**(5.2)**	(4.3)
Social security costs	**(5.8)**	(5.5)
Share-based payments	**(0.5)**	–
	(72.6)	(68.3)

Average number of employees

	2016	2015
Administration	**134**	89
Production and distribution	**1,446**	1,505
	1,580	1,594

Pension costs

Throughout the period under review the Group provided pension benefits to employees through defined contribution schemes and by way of a retirement allowance to members of senior management.

The Group participated in the Hanson Industrial Pension Scheme (defined contribution scheme) prior to separation from HeidelbergCement AG on 13 March 2015. From this date the Group have made pension contributions to its own defined contribution scheme (the Forterra PPP).

9 Exceptional items

	Note	2016 £m	2015 £m
Transaction costs		**(9.1)**	(5.2)
Separation costs		**(1.3)**	(4.0)
Loss on disposal of subsidiary	27	**(0.1)**	–
Indemnity payment received		**1.6**	–
Impairment of intangible assets	14	**–**	(2.4)
		(8.9)	(11.6)

Transaction costs in both years relate to the IPO completed in April 2016 and associated non-recurring professional fees. Management incentives related to the IPO amounted to £1.1m.

Separation costs relate to the separation from HeidelbergCement AG in 2015 and Forterra Inc in 2016 and include rebranding, new office fit out costs, set up of stand-alone IT operations and staff recruitment.

A cash tax indemnity payment was received in the year from HeidelbergCement AG relating to previous tax paid. It was initially recognised as a contingent asset at zero value but later revalued to £1.6m upon confirmation of receipt.

The impairment expense in 2015 was the result of an impairment review. The charge of £2.4m fully impaired the carrying value of goodwill in Structherm Limited. In October 2016 the Group disposed of its investment in Structherm Limited and ceased to consolidate its assets, liabilities and financial results.

10 Net finance expense

	2016 £m	2015 £m
Interest payable on related party borrowings	**(10.2)**	(27.5)
Interest payable on external borrowings	**(3.8)**	–
Other finance (expense)/income	**(0.2)**	0.2
	(14.2)	(27.3)

Up to the date of the IPO both the debt level and interest rate were significantly higher than under the Group's post IPO financing arrangements. This resulted in a higher interest charge for 2015.

11 Taxation

	Note	2016 £m	2015 £m
Current tax			
UK corporation tax on profit for the year		**(8.3)**	(5.2)
Prior year adjustment on UK corporation tax		**0.1**	–
Total current tax		**(8.2)**	(5.2)
Origination and reversal of temporary differences	16	**(1.0)**	(1.3)
Effect of market value uplift to land tax base following de-grouping	16	**–**	2.2
Effect of change in tax rates	16	**0.1**	(0.2)
Effect of prior period adjustments	16	**(0.5)**	0.3
Total deferred tax		**(1.4)**	1.0
Income tax expense		**(9.6)**	(4.2)

	2016 £m	2015 £m
Profit on ordinary activities before tax	**37.1**	22.2
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20% (2015: 20.2%)	**(7.4)**	(4.5)
Effect of:		
Change in tax rate	**0.1**	(0.2)
Expenses not deductible for tax purposes	**(1.9)**	(2.0)
Market value uplift to land tax base following de-grouping	**–**	2.2
Prior period adjustments	**(0.4)**	0.3
Income tax expense	**(9.6)**	(4.2)

The main rate of UK corporation tax for 2016 is 20%. The Finance Act (No 2) 2015 which received Royal Assent on 18 November 2015 includes legislation reducing the main rate of corporation tax to 19% effective from 1 April 2017 and then 18% effective from 1 April 2020. The Finance Bill 2016 (Royal Assent received 15 September 2016) introduced legislation to further reduce the main rate of corporation tax to 17% effective from 1 April 2020.

12 Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity shareholders in the year:		
Interim dividend of 2.0p per share (2015: nil)	**(4.0)**	–
	(4.0)	–

The Directors are proposing a final dividend for 2016 of 3.8p per share, making a total payment for the year of 5.8p (2015: nil).

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in the Consolidated Financial Statements.

13 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the period attributable to shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share additionally allows for the effect of the conversion of the dilutive options.

As the Group did not exist in its current form for the comparative period and throughout the current period, basic and diluted EPS for 2015 have not been presented and EPS for 2016 has been calculated as if the restructuring of the Group at IPO had occurred at the beginning of the period.

		Basic	Pro-forma	
	Note	2016 £m	2016 £m	2015 £m
Operating profit for the year		**51.3**	**51.3**	49.5
Exceptional items	9	**–**	**8.9**	11.6
Additional costs in 2016 as a stand-alone plc		**–**	**–**	(3.0)
Finance charge	10	**(14.2)**	**(5.9)**	(5.8)
Profit before taxation		**37.1**	**54.3**	52.3
Tax charge at effective rate	11	**(9.6)**	**(11.3)**	(11.0)
Profit for the year		**27.5**	**43.0**	41.3
Weighted average number of shares (millions)		**200.0**	**200.0**	200.0
Effect of share incentive awards and options (millions)		**0.8**	**0.8**	–
Diluted weighted average number of shares (millions)		**200.8**	**200.8**	200.0
Earnings per share				
Basic (in pence)		**13.8**		
Diluted (in pence)		**13.7**		
Pro-forma earnings per share				
Basic (in pence)			**21.5**	20.6
Diluted (in pence)			**21.4**	20.6

Pro-forma basis is presented as an additional performance measure and is stated before exceptional items and after adjustments to present finance costs and additional plc costs incurred in 2016 comparatively in both years. The detail for these adjustments has been presented within note 3.

14 Intangible assets

	Goodwill £m	Brand name £m	Other intangibles £m	Total £m
Cost				
At 1 January 2016	**409.9**	**10.7**	**14.3**	**434.9**
Additions	**–**	**–**	**0.7**	**0.7**
Disposals	**(4.2)**	**–**	**–**	**(4.2)**
At 31 December 2016	**405.7**	**10.7**	**15.0**	**431.4**
Accumulated amortisation and impairment				
At 1 January 2016	**(403.9)**	**(4.7)**	**(13.0)**	**(421.6)**
Charge for the year	**–**	**–**	**(0.3)**	**(0.3)**
Disposals	**4.2**	**–**	**–**	**4.2**
Impairment charge	**–**	**–**	**–**	**–**
At 31 December 2016	**(399.7)**	**(4.7)**	**(13.3)**	**(417.7)**
Net book value at 31 December 2016	**6.0**	**6.0**	**1.7**	**13.7**
Net book value at 1 January 2016	**6.0**	**6.0**	**1.3**	**13.3**

	Goodwill £m	Brand name £m	Other intangibles £m	Total £m
Cost				
At 1 January 2015	409.9	10.7	14.9	435.5
Additions	–	–	–	–
Disposals	–	–	(0.6)	(0.6)
At 31 December 2015	409.9	10.7	14.3	434.9
Accumulated amortisation and impairment				
At 1 January 2015	(401.5)	(4.7)	(12.7)	(418.9)
Charge for the year	–	–	(0.3)	(0.3)
Disposals	–	–	–	–
Impairment charge	(2.4)	–	–	(2.4)
At 31 December 2015	(403.9)	(4.7)	(13.0)	(421.6)
Net book value at 31 December 2015	6.0	6.0	1.3	13.3
Net book value at 1 January 2015	8.4	6.0	2.2	16.6

The carrying value of goodwill relates to the trade of Formpave, a CGU within the Bespoke Products reportable segment. Goodwill disposals in 2016 and the impairment charge in 2015 relate to Structherm Limited which was fully impaired before being disposed of in October 2016. Until this date Structherm Limited was also a CGU within the Bespoke Products segment.

The brand category comprises the acquired Thermalite brand, a component of the Bricks and Blocks reportable segment.

Other intangibles consists of clay rights, carbon emission rights, merchant relationships, order book, patent and software development costs. These are attributable to both reportable segments. Additions in the period relate to costs incurred upgrading Group IT systems.

Impairment of intangible assets

(i) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist of the Thermalite brand which is allocated to the Thermalite CGUs within the Bricks and Blocks reportable segment when undertaking annual impairment tests.

The Group estimates the recoverable amount of CGUs using a value in use model by projecting pre-tax cash flows over the estimated useful life. The key assumptions underpinning the recoverable amount of the CGUs are forecast revenue, EBITDA margin, capital expenditure and discount rate.

The forecast revenues in the model are based on management's past experience and future expectations of performance. The discount rate used in 2016 is pre-tax 10.6% (2015: 10%) derived from a WACC calculation and benchmarked against similar organisations operating within the sector. The terminal growth rate used in 2016 is 2% (2015: 2%). The short-term growth rate is 3% in 2016 (2015: 2%).

The recoverable amount in respect of the indefinite life intangibles, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment charge has been booked in 2016 (2015: £2.4m). Management consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate headroom in each of the years presented in these Consolidated Financial Statements.

14 Intangible assets continued

(ii) Goodwill

The goodwill balance of £6.0m (2015: £6.0m) relates to the Formpave CGU allocated to the Bespoke Products reportable segment. The Group estimates the recoverable amount of goodwill using a value in use model by projecting pre-tax cash flows over the estimated useful life. The key assumptions underpinning the recoverable amount of the goodwill are forecast revenue, EBITDA margin, capital expenditure and discount rate.

The forecast revenues in the model are based on management's past experience and future expectations of performance. The discount rate used in 2016 is pre-tax 10.6% (2015: 10%) derived from a WACC calculation and benchmarked against similar organisations operating within the sector. The terminal growth rate used in 2016 is 2% (2015: 2%). The short-term growth rate is 3% in 2016 (2015: 2%). Management consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate headroom in each of the years presented in these Consolidated Financial Statements.

15 Property, plant and equipment

	Land and buildings £m	**Plant and machinery £m**	**Total £m**
Cost			
At 1 January 2016	**124.0**	**222.2**	**346.2**
Additions	**0.7**	**7.5**	**8.2**
Disposals	**(0.2)**	**(3.6)**	**(3.8)**
Changes in the value of decommissioning assets	**(0.3)**	**–**	**(0.3)**
At 31 December 2016	**124.2**	**226.1**	**350.3**
Accumulated depreciation and impairment			
At 1 January 2016	**(44.6)**	**(152.1)**	**(196.7)**
Charge for the year	**(1.9)**	**(8.2)**	**(10.1)**
Disposals	**0.2**	**3.5**	**3.7**
Changes in the value of decommissioning assets	**–**	**–**	**–**
At 31 December 2016	**(46.3)**	**(156.8)**	**(203.1)**
Net book value at 31 December 2016	**77.9**	**69.3**	**147.2**
Net book value at 1 January 2016	**79.4**	**70.1**	**149.5**

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2015	122.7	209.9	332.6
Additions	1.5	12.4	13.9
Disposals	–	(0.2)	(0.2)
Changes in the value of decommissioning assets	(0.2)	0.1	(0.1)
At 31 December 2015	124.0	222.2	346.2
Accumulated depreciation and impairment			
At 1 January 2015	(42.9)	(144.9)	(187.8)
Charge for the year	(1.8)	(7.3)	(9.1)
Disposals	–	0.1	0.1
Changes in the value of decommissioning assets	0.1	–	0.1
At 31 December 2015	(44.6)	(152.1)	(196.7)
Net book value at 31 December 2015	79.4	70.1	149.5
Net book value at 1 January 2015	79.8	65.0	144.8

Included within property, plant and equipment are assets under the course of construction of £2.7m (2015: £11.6m), comprising £0.1m (2015: £0.1m) for land and buildings and £2.6m (2015: £11.5m) for plant and machinery.

16 Deferred tax

The analysis of deferred tax assets is as follows:

	2016 £m	2015 £m
Deferred tax assets to be recovered after more than 12 months	**0.4**	1.8
	0.4	1.8

The movement in deferred tax assets during the year is as follows:

	Fixed assets £m	Provisions £m	Intangible assets £m	Share-based payments £m	Land £m	Total £m
Deferred tax assets						
At 1 January 2015	2.5	1.8	(1.4)	–	(2.1)	0.8
Effect of prior period adjustment	0.6	(0.2)	0.1	–	(0.2)	0.3
(Charged)/credited to the Consolidated Statement of Total Comprehensive Income	(1.3)	–	–	–	–	(1.3)
Effect of market value uplift to land tax base following de-grouping	–	–	–	–	2.2	2.2
Effect of changes in tax rates	(0.2)	(0.1)	0.1	–	–	(0.2)
At 31 December 2015	1.6	1.5	(1.2)	–	(0.1)	1.8
Effect of prior period adjustment	**(1.3)**	**0.3**	**0.5**	**–**	**–**	**(0.5)**
(Charged)/credited to Consolidated Statement of Total Comprehensive Income	**(1.2)**	**0.1**	**–**	**0.1**	**–**	**(1.0)**
Effect of changes in tax rates	**0.2**	**(0.1)**	**–**	**–**	**–**	**0.1**
At 31 December 2016	**(0.7)**	**1.8**	**(0.7)**	**0.1**	**(0.1)**	**0.4**

Deferred tax is calculated on temporary differences between the tax base of assets and liabilities and their carrying amounts, using the corporation tax rate applicable to the timing of their reversal.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and there is an intention to settle the balances net.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

17 Inventories

	2016 £m	2015 £m
Raw materials	**5.0**	5.3
Work in progress	**1.5**	1.6
Finished goods	**31.5**	32.9
Other inventory	**1.0**	1.1
	39.0	40.9

The cost of inventories recognised as an expense and included in cost of sales during the year was £113.9m (2015: £103.1m), of which employment cost expenses totalled £49.6m (2015: £48.7m).

Write downs of inventories recognised as an expense in the year were £1.3m (2015: £2.3m). Reversals of previous inventory write downs in the period were £2.1m (2015: £1.1m).

There is no significant difference between the replacement cost of inventories and their carrying amounts.

18 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**30.0**	27.0
Other receivables	**0.3**	0.2
Prepayments	**1.3**	1.4
	31.6	28.6

The ageing profile of trade receivables is:

	2016 £m	2015 £m
Trade receivables not yet due	**22.2**	18.0
1 to 30 days past due	**6.0**	5.4
31 to 60 days past due	**0.6**	1.8
61 to 90 days past due	**0.3**	0.6
Over 90 days past due	**0.9**	1.2
	30.0	27.0

Included within trade receivables are balances which are past due at the balance sheet date but have not been provided for. These balances relate to customers who have no recent history of default and whose debts are considered to be recoverable. Trade receivables are considered for impairment either where there is an identifiable risk of non-payment or the balance is overdue by greater than 60 days.

19 Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	**56.2**	24.2
	56.2	24.2

Cash at bank and in hand includes amounts denominated in Pounds Sterling and Euros. As at 31 December 2016, £0.5m was held in Euros (2015: £0.4m), the remaining £55.7m (2015: £23.8m) was held in Pounds Sterling.

20 Trade and other payables

	2016 £m	2015 £m
Trade payables	**26.3**	27.9
Payroll tax and other statutory liabilities	**3.8**	2.1
Accrued liabilities and other payables	**21.4**	25.6
	51.5	55.6

21 Loans and borrowings

	2016 £m	2015 £m
Non-current loans and borrowings		
External bank loan – principal	**140.0**	–
– unamortised debt issue costs	**(2.2)**	–
	137.8	–
Current loans and borrowings		
Borrowings from related parties	**–**	405.6
External bank loan – principal	**10.0**	–
– interest	**0.7**	–
	10.7	405.6
	148.5	405.6

On 26 April 2016 the Group entered into a new facilities agreement with a group of leading banks under which it has access to a £150 million term loan facility and a £30 million revolving credit facility for five years. Interest is payable on amounts drawn down under the agreement at a rate of LIBOR plus a variable margin ranging from 1.50% to 2.75%. The margin for 2016 was set at 2.25%.

The facility is subject to both financial and non-financial covenants and is secured by fixed charges over the shares of Forterra Building Products Limited and Forterra Holdings Limited.

22 Net debt

The analysis of net debt is as follows:

	2016 £m	2015 £m
Cash and cash equivalents	**56.2**	24.2
Borrowings from related parties	**–**	(405.6)
External borrowings	**(148.5)**	–
	(92.3)	(381.4)

23 Financial instruments

	2016 £m	2015 £m
Financial assets at amortised cost		
Cash and cash equivalents	**56.2**	24.2
Trade and other receivables (excluding prepayments)	**30.3**	27.2
	86.5	51.4

	2016 £m	2015 £m
Financial liabilities at amortised cost		
Trade and other payables (excluding non-financial liabilities)	**47.7**	53.5
Loans and borrowings	**148.5**	405.6
	196.2	459.1

The financial assets of the Group, cash and cash equivalents and trade and other receivables are derived directly from operations. For financial liabilities of the Group, trade and other payables are derived directly from operations and loans and borrowings and derivative financial liabilities are arranged to finance operating and investing activities.

Financial risk management

The Group's activities expose it to a variety of financial risks (including movements in foreign currency and interest rates), credit risk and liquidity risk. The Group uses derivative financial instruments to manage certain risks. The risk management framework governing the management of these and all other business risks is set by the Board.

23 Financial instruments continued

Foreign exchange risk:

The functional and presentational currency of the Group is Pounds Sterling although some transactions are executed in Euros and a small amount in US Dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against Pounds Sterling. Management of foreign currency exposure is centrally managed by the Group Treasury function using forward foreign exchange contracts and currency options. The principles of hedge accounting are not applied.

Principal rate of exchange: Euro/Sterling

	2016	2015
Period end	**1.19**	1.36
Average	**1.23**	1.38

The Group has entered into forward foreign currency contracts and options to mitigate exchange rate risk for certain foreign currency payables. At 31 December 2016, outstanding contracts maturing within 6 months amounted to €1.7m (2015: €nil) and outstanding contracts maturing between 6-12 months amounted to €1.3m (2015: €nil). In addition the Group had currency options for the same amounts maturing over the same periods (2015: €nil).

Interest rate risk:

The Group's borrowings include a revolving credit facility and term loan facility agreement with a group of leading banks. These facilities allow the Group to meet short, medium and long-term financing requirements at a margin over LIBOR. The Group manages interest rate risk on an ongoing basis and reviews options available to hedge part of the variable rate risk.

Credit risk:

Credit risk associated with trade receivables results from normal commercial operations and procedures exist to ensure that customer credit worthiness is assessed and monitored sufficiently and appropriate credit limits are in place and enforced. Trade and other receivables are stated net of management estimated bad debt provisions. Deposits with banking institutions also give rise to credit risk. To dilute and mitigate the risk the Group deposits cash and cash equivalents with highly rated counterparties.

Liquidity risk:

The Group's borrowing facilities are available to ensure that there is sufficient liquidity to exceed maximum forecast cash flow requirements in all reasonably possible circumstances. The Group monitors cash flow on a weekly basis to ensure that headroom exists within current agreed facilities and updates the Board on liquidity and cash flow at Board meetings.

The maturity profile of contractual undiscounted cash outflows, including expected interest payments, which are payable under financial liabilities at the balance sheet date is set out below:

	Less than one year	**One to two years**	**Two to three years**	**Three to four years**	**Four to five years**	**2016**
Trade and other payables (excluding non-financial liabilities)	**47.7**	**–**	**–**	**–**	**–**	**47.7**
Loans and borrowings	**13.4**	**13.0**	**12.8**	**12.6**	**110.8**	**162.6**
Derivative financial instruments	**2.6**	**–**	**–**	**–**	**–**	**2.6**
	63.7	**13.0**	**12.8**	**12.6**	**110.8**	**212.9**

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	2015
Trade and other payables (excluding non-financial liabilities)	53.5	–	–	–	–	53.5
Loans and borrowings	438.0	–	–	–	–	438.0
Derivative financial instruments	–	–	–	–	–	–
	491.5	–	–	–	–	491.5

There is no material difference between the carrying value and fair value of the Group's financial assets and liabilities.

Derivative financial instruments result in contractual cash inflows and outflows in 2017. At 31 December 2016 there is no material difference between the cash inflows and outflows and the difference between fair value and carrying value is insignificant.

24 Provisions

	Restoration and Decommissioning £m	Other £m	Total £m
At 1 January 2016	**11.7**	**3.2**	**14.9**
Charged/(credited) to the Consolidated Statement of Total Comprehensive Income:			
Additional provisions	**–**	**1.1**	**1.1**
Release of provisions	**(0.5)**	**(1.0)**	**(1.5)**
Utilised amounts	**–**	**(0.3)**	**(0.3)**
Unwind of discount	**0.2**	**–**	**0.2**
At 31 December 2016	**11.4**	**3.0**	**14.4**

Analysed as:

	2016 £m	2015 £m
Non-current	**8.7**	11.7
Current	**5.7**	3.2
	14.4	14.9

All non-current provisions are discounted at a rate of 2.65% (2015: 2.65%).

The provisions balance is made up of provisions for restoration and decommissioning, carbon emissions, dilapidations, defective materials, restructuring and legal costs.

Non-cash movements on provisions, as disclosed within the Statement of Changes in Cash Flows, is the sum of additional provisions and release of provisions in the period.

Restoration and decommissioning

The Group is required to restore quarrying sites to a state agreed with the planning authorities after extraction of raw materials ceases and to decommission manufacturing facilities that have been constructed. The provisions for restoration and decommissioning are made based on the management's best estimate of the amount required to settle the obligations, taking account of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. These provisions are discounted by applying a discount rate that reflects the passage of time. Estimates are revised annually and in the case of decommissioning provisions are adjusted against the asset to which the provision relates, which is then subject to an impairment assessment. Future costs are expected to be incurred over the useful life of the sites which is a period of up to 50 years.

The impact of changes in discount rate and inflation rates on the provision at year end was nil (2015: £0.5m).

When re-estimating the remaining useful lives of the Group's facilities, where the cessation of extraction creates an expectation that short-term restoration activities are probable, management have reclassified some restoration provisions from non-current in 2015 to current in 2016.

25 Share capital and premium

Called up issued and fully paid ordinary shares

	2016 £m	2015 £m
Allotted, called up and fully paid		
89,627 ordinary shares of £1 each (Forterra Building Products Limited)	**–**	0.1
200,442,068 ordinary shares of £0.01 each (Forterra plc)	**2.0**	–
	2.0	0.1

	Number of shares	Share capital £m	Share premium £m	Deferred share £m
Balance at 1 January 2016	89,627	0.1	46.5	–
Adjustment to reserves on Group reorganisation	(89,627)	(0.1)	(46.5)	–
Issue of share capital	89,627	2.2	44.4	
Capitalisation of shareholder loan note	2	–	255.8	–
Share reorganisation effected through subdivision of existing share capital and issue of deferred share	199,910,371	(0.2)	–	0.2
Capital reduction	–	–	(300.2)	(0.2)
Ordinary shares issued to the Employee Benefit Trust	442,068	–	–	–
Balance at 31 December 2016	**200,442,068**	**2.0**	**–**	**–**

On 21 January 2016 Starzone plc (which subsequently changed its name to Forterra plc) was incorporated for the purpose of listing the operations of Forterra Building Products Limited on the London Stock Exchange. On 2 February 2016 Starzone Holdings Limited (which subsequently changed its name to Forterra Holdings Limited) was incorporated and became Forterra plc's immediate subsidiary undertaking. On 20 April 2016, by way of reorganisation the Company became the parent undertaking of Forterra Holdings Limited and its subsidiaries.

The Company, its Group, major shareholder and affiliates undertook the following steps in preparation for and subsequent to the Company's listing on the London Stock Exchange:

- Issue of 50,000 £1 ordinary shares by Forterra plc on incorporation;
- Subsequent consolidation of 50,000 £1 ordinary shares into 2,000 £25 ordinary shares;
- Issuance of a further 87,627 £25 shares at £532.09 per share, creating a share premium amount of £44,435,000;
- Part capitalisation of £255,766,000 of loan notes outstanding in exchange for two £25 ordinary shares; bringing the total number of ordinary shares to 89,629;
- Set-off of intercompany payables and receivables;
- Subdivision of 89,629 £25 ordinary shares into 224,072,500 £0.01 ordinary shares;
- Designation of 24,072,500 £0.01 ordinary shares as one £240,725 deferred share;
- Exit of the Group from existing credit agreements and collateral pledges;
- Agreement of new facilities, as detailed in note 21, and use of the proceeds to settle existing loan notes and interest outstanding of £148,460,538; and
- Post listing, the undertaking of a court approved capital reduction and transfer of share premium of £300,200,786 and 1 deferred share of £240,725 into retained earnings.

During the year 442,068 ordinary shares were issued to the Employee Benefit Trust at nominal value. The Trust has been consolidated within these Consolidated Financial Statements however as a result of the nominal value of the shares there is no monetary impact within the Consolidated Statement of Changes in Equity.

26 Commitments and contingencies

The Group's total commitments under non-cancellable operating leases are set out below:

	2016 £m	2015 £m
Land and buildings		
Within one year	**0.7**	0.8
Between one and five years	**2.1**	2.4
After five years	**5.5**	4.2
	8.3	7.4
Other		
Within one year	**6.2**	6.0
Between one and five years	**16.3**	19.7
After five years	**0.9**	2.0
	23.4	27.7

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2016 £m	2015 £m
Property, plant and equipment	**1.3**	2.3
Intangible assets	**0.4**	–

Other commitments include the Group's leased distribution fleet, company vehicles and plant and machinery.

27 Disposals

In October 2016, the Group completed the sale of its entire investment in Structherm Limited and deconsolidated that company from this date. The Group made this move in order to focus on improving and growing the core businesses of bricks, blocks and other concrete and clay building products. Structherm, who manufacture structural external wall insulation solutions for residential buildings, had recorded sales of £1.5m (2015: £3.7m) and an operating loss of £0.1m (2015: operating profit £0.1m) prior to disposal in 2016. The value of its net assets at disposal (excluding cash) was £0.1m. The Group recorded a loss on disposal of £0.1m as a result of this transaction.

28 Share-based payment arrangements

Total cost of share schemes:

	2016 £m	2015 £m
Performance Share Plan (PSP)	**0.2**	–
Deferred Annual Bonus Plan (DABP)	**0.1**	–
Share Incentive Plan (SIP)	**0.2**	–
Sharesave Plan	**–**	–
	0.5	–

Summary of share option and share award arrangements

During the year ended 31 December 2016, the Group offered a number of share option and share award arrangements to its employees, all of which are equity-settled (although the rules of the PSP and DABP allow for cash settlement in exceptional circumstances). Details of the awards granted in 2016 are as follows:

Share awards

Share Incentive Plan (SIP)

Deferred free share awards of £500 granted at the share price on Admission to all employees in service at 25 May 2016 which vest three years after the date of grant dependent upon service conditions being met. At 31 December 2016 these awards have been issued by the Company and are held by the Employee Benefit Trust on behalf of the Group's employees.

	2016	
	No. of shares	**Weighted average fair value**
Free share award	**442,068**	**178.00p**

28 Share-based payment arrangements continued

Share options

Performance Share Plan (PSP)

Performance based awards granted to the Executive Directors and members of the Operating Board, which vest three years after the date of grant at an exercise price of 1p per share. The total number of shares vesting is dependent upon both service conditions being met and the performance of the Group over the three year period. Performance is subject to both TSR and EPS conditions, each weighted 50%. In addition, a holding period applies to vested PSP awards under which Executive Directors of Forterra plc are required to retain the net of tax number of vested awards for at least two years from the date of vesting.

Deferred Annual Bonus Plan (DABP)

Deferred bonus awards granted to designated senior management which vest two years after the date of grant at 1p per share. The total number of shares vesting is dependent upon service conditions being met.

Sharesave Plan

HM Revenue and Customs approved scheme offered to all employees in service at 28 September 2016. Contributions of up to £500 per month may be exchanged three years from grant date for shares at an option price of 135p, a discount of 20% from the grant date price.

Information relating to share option valuation techniques

	2016				
Date of Grant	**PSP** (TSR condition) 31 May 2016	**PSP** (EPS condition) 31 May 2016	**PSP** (Executive Directors' Holding Period)[1] 31 May 2016	**DABP** (Service condition) 1 June 2016	**Sharesave** (Service condition) 24 October 2016
Option pricing model	Monte carlo	Black scholes	Chaffe	Black scholes	Black scholes
Share price on grant date (p)	173.75	173.75	173.75	179.25	170.00
Exercise price (p)	1.00	1.00	173.75	1.00	135.00
Expected volatility	26.37%	26.37%	26.93%	27.19%	31.09%
Vesting period (years)	2.9	2.9	2.0	1.9	3.1
Expected option life to exercise	2.9	2.9	2.0	1.9	3.4
Expected dividend yield	0%	0%	0%	0%	3.53%
Risk free interest rate	0.44%	0.44%	0.89%	0.41%	0.29%
Fair value per option (p)	82.65	172.76	–	178.26	41.27

Expected volatility is a measure of expected fluctuations in the share price over the expected life of an option. The measures of volatility used by the Group in its pricing model during the year ended 31 December 2016 has been derived as the median volatility of similar companies.

[1] This model produces the discount to be applied to the fair value of any awards subject to a holding period. For the year ended 31 December 2016 the weighted average discount was 14.1%.

Reconciliation of movements in the number of share options

	2016					
	PSP		**DABP**		**Sharesave**	
	Number of options	Exercise price (p)	Number of options	Exercise price (p)	Number of options	Exercise price (p)
Outstanding at 1 January 2016	–	–	–	–	–	–
Granted	**595,889**	**1.00**	**167,544**	**1.00**	**4,711,043**	**135.00**
Forfeited	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Expired	–	–	–	–	–	–
Outstanding at 31 December 2016	**595,889**	**1.00**	**167,544**	**1.00**	**4,711,043**	**135.00**
Exercisable at 31 December 2016	–	–	–	–	–	–

29 Cash flows relating to exceptional items

The analysis of cash flows relating to exceptional items is as follows:

	2016 £m	2015 £m
Transaction costs	**(12.3)**	(2.0)
Separation costs	**(2.9)**	(1.8)
Indemnity payment received	**1.6**	–
	(13.6)	(3.8)

The nature of these exceptional items is disclosed in note 9 to the Consolidated Financial Statements.

30 Related party transactions

Transactions with related parties

	2016 £m	2015 £m
Purchases from related parties	**(3.6)**	(3.2)
Interest charged on shareholder loan note	**(10.2)**	(27.5)
Dividends paid to related parties	**(2.6)**	–

Period end balances with related parties

	2016 £m	2015 £m
Shareholder loan note	**–**	(405.6)
Trade and other payables with related parties	**(0.7)**	(13.9)
Trade and other receivables with related parties	**–**	23.0

Prior to IPO, the Group's immediate parent undertaking was LSF9 Concrete UK Ltd, a company dual-registered in Jersey, and England and Wales, and under the control of Lone Star Funds.

Following the IPO, LSF9 Concrete UK Ltd retained ownership of 128,666,827 ordinary shares representing 64.3% of the issued share capital at the date of listing. On 26 May 2016 LSF9 Concrete UK Ltd transferred its shareholding to another company, LSF9 Concrete II Limited, also under the control of Lone Star Funds. As a result, at 31 December 2016 Lone Star Funds qualifies as a 'controlling shareholder' under the Listing Rules of the Financial Conduct Authority (LR 6.1.2A). The relationship agreement entered into to ensure that Lone Star Funds complies with the independence provisions set out in LR 6.1.4D is detailed on page 44 of the Corporate Governance Statement.

Up to 13 March 2015, related parties were entities within HeidelbergCement AG. From 13 March 2015 onwards, related parties are entities under common ownership of Lone Star Funds. All related party transactions and balances have been undertaken in the normal course of business and on an arm's length basis.

Prior to IPO, the funding structure of Forterra Building Products Limited was such that the Group loaned money to/from affiliates of Lone Star Funds. In the process of listing on the London Stock Exchange, the Group undertook a reorganisation which eliminated these balances. These transactions resulted in all related party receivables and payables at that time being set-off, part of the borrowings from related parties being capitalised and the remaining borrowings being settled using proceeds from new external loans and borrowings.

As at 31 December 2016, payables due to related parties relate to recharges for IT services and insurance costs. There were no other related party transactions requiring disclosure, other than compensation of the key management personnel.

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors of the Company and the Directors of the Group's subsidiary companies fall within this category.

	2016 £m	2015 £m
Emoluments including taxable benefits	**(2.8)**	(0.8)
Share-based payments	**(0.2)**	–
Pension costs	**(0.2)**	(0.1)
	(3.2)	(0.9)

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within pages 63 to 69.

Company Balance Sheet

At 31 December 2016

	Note	2016 £m
Fixed assets		
Investment in subsidiary	6	**303.0**
		303.0
Current assets		
Amounts due from Group undertakings	7	**5.6**
		5.6
Current liabilities		
Creditors – amounts falling due within one year	8	**(0.1)**
Amounts due to Group undertakings	8	**(5.3)**
		(5.4)
Net current assets		**0.2**
Total assets less current liabilities		**303.2**
Non-current liabilities		
Creditors – amounts falling due after more than one year	8	**(0.1)**
		(0.1)
Net assets		**303.1**
Capital and reserves		
Ordinary shares	9	**2.0**
Profit for the period		**4.2**
Retained earnings		**296.9**
Total equity		**303.1**

The notes on pages 110 to 112 are an integral part of these Financial Statements.

Approved by the Board of Directors on 15 March 2017 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Shatish Dasani
Chief Financial Officer

Company Statement of Changes in Equity

For the period ended 31 December 2016

	Share capital £m	Share premium £m	Deferred shares £m	Retained earnings £m	Total equity £m
Balance at 21 January 2016	–	–	–	–	–
Profit for the period	–	–	–	4.2	4.2
Total comprehensive profit for the period	–	–	–	4.2	4.2
Issue of share capital	2.2	44.4	–	–	46.6
Reclassification of ordinary shares to deferred shares	(0.2)	–	0.2	–	–
Capitalisation of shareholder loan note	–	255.8	–	–	255.8
Capital reduction	–	(300.2)	(0.2)	300.4	–
Dividends paid	–	–	–	(4.0)	(4.0)
Share-based payments	–	–	–	0.5	0.5
Balance at 31 December 2016	2.0	–	–	301.1	303.1

Notes to the Company Financial Statements

1 General background

Forterra plc is a public limited company, listed on the London Stock Exchange and domiciled and incorporated in the UK under the Companies Act 2006. The Company was incorporated on 21 January 2016 and therefore no comparative information has been presented.

2 Accounting policies

Basis of preparation

The Company Financial Statements have been prepared in accordance with applicable accounting standards, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006. As the Company has not previously prepared Financial Statements, no transition exemptions or exceptions have been applied and no reconciliations are presented.

As permitted by section 408 of the Companies Act 2006, an entity profit or loss account is not included as part of the published Financial Statements of Forterra plc. The Company profit for the financial period ended 31 December 2016 was £4.2m.

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, standards not yet effective and related party transactions. Where required, equivalent disclosures are given in the Consolidated Financial Statements.

The Company Financial Statements are presented in Pounds Sterling, rounded to the nearest hundred thousand and are prepared under the historical cost convention.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least one year from the date that the Financial Statements are signed. The Company therefore adopts the going concern basis in preparing its Financial Statements.

(a) Investments

Investments are included in the balance sheet at the deemed cost of acquisition upon the Group restructure. Where appropriate, a provision is made for any impairment in their value.

Capital contributions arising where subsidiary employees are awarded share options to be settled over the Company's equity result in increases to the cost of investment.

(b) Taxation

Charges for income tax are based on earnings for the period and take account of deferred taxation on timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(c) Financial instruments

The Company determines the classification of financial assets and financial liabilities at initial recognition. The principal financial assets and liabilities of the Company are as follows:

(i) Financial assets

Basic financial assets, including trade and other receivables, amounts due from Group undertakings and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method and assessed for objective evidence of impairment or impairment reversal at the end of each reporting period.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, are settled or substantially all the risks and rewards of ownership of the asset are transferred.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to related parties are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other payables and loans are subsequently carried at amortised cost, using the effective interest rate method.

(d) Share-based payments

The Company operates a number of equity-settled share-based compensation plans, under which the Company receives services from the Executive Directors in exchange for equity instruments granted by the Company. The services received and corresponding increase in equity are measured at the fair value of the equity instruments granted, on the date granted. The Company also compensates certain key management and other employees for services provided to Forterra Building Products Limited. The services provided are recognised as an increase in the cost of investment in subsidiaries and a corresponding increase in equity; which is measured at the fair value of the equity instruments granted, on the date granted.

The cost of the equity-settled transactions are subsequently recognised over the vesting period, which ends at the date that the plan participant becomes fully entitled to the award. Fair values are determined using appropriate pricing models by external valuers. At the end of each reporting period the Company revises its estimate of the number of awards that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

Further details regarding the share-based payment schemes are set out in note 28 to the Consolidated Financial Statements.

(e) Own shares held by employee benefit trusts

The Company has established two separate employee benefit trusts for the purposes of satisfying awards under share-based incentive schemes. Shares in the Company acquired by the trusts are deducted from equity until shares vest or are cancelled, reissued or disposed. At 31 December 2016 442,068 ordinary shares had been issued into trust. Shares were issued at nominal value, therefore, although the Trust has been consolidated within the Company Financial Statements there is no monetary impact to the Statement of Changes in Equity in the period presented.

(f) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from proceeds.

(g) Related parties

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Company Financial Statements.

3 Critical accounting judgements and estimates

(a) Share-based payments

Following Admission to the London Stock Exchange, the Company launched a number of share-based payment reward schemes. External advice was sought both in the initial design of the schemes and in respect of the accounting judgements made regarding the outcome of performance targets, share performance and lapse rates.

(b) Impairment of fixed asset investments

The Directors periodically review fixed asset investments for possible impairment when events or changes in circumstances indicate, in managements' judgement, that the carrying amount of an asset may not be recoverable. The Company did not record any impairment charges during the period ended 31 December 2016.

4 Employee information

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Annual Report on Remuneration on pages 63 to 69.

5 Dividends

	2016 £m
Amounts recognised as distributions to equity shareholders in the period:	
Interim dividend of 2.0p per share	**(4.0)**
	(4.0)

The Directors are proposing a final dividend for 2016 of 3.8p per share, making a total payment for the period of 5.8p.

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in the Company Financial Statements.

6 Investment in subsidiary

	2016 £m
Balance as at 21 January 2016	–
Investment in Forterra Holdings Limited	302.6
Capital contribution relating to share-based payments	0.4
Balance as at 31 December 2016	303.0

The companies in which the Company has an interest at the year end are shown below:

Name of Company	Country of incorporation	Holding	Nature of holding	% of class held
Forterra Holdings Limited	England and Wales	Ordinary £0.01	Direct	100%
Forterra Building Products Limited	England and Wales	Ordinary £0.01	Indirect	100%

The address of the registered office of both Forterra Holdings Limited and Forterra Buildings Products Limited is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA.

7 Current assets

	2016 £m
Amounts due from Group undertakings	5.6
	5.6

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

8 Current and non-current liabilities

	2016 £m
Amounts due to Group undertakings	5.3
Creditors – amounts falling due within one year	0.1
Creditors – amounts falling due after more than one year	0.1
	5.5

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

9 Capital and reserves

	2016	
	Number	£m
Ordinary shares of £0.01 each	200,442,068	2.0
	200,442,068	2.0

The ordinary shares are voting non-redeemable shares and rank equally as to dividends, voting rights and any return of capital on winding up.

Movements in the share capital, share premium and deferred share accounts, and details of share options outstanding on the Company's share capital are set out in note 25 of the Consolidated Financial Statements.

10 Related party transactions

The Company is exempt from disclosing related party transactions with companies that are wholly owned within the Group. Transactions with related parties which are not wholly owned are disclosed within note 30 to the Consolidated Financial Statements.

Remuneration to key management personnel has been disclosed within note 30 to the Consolidated Financial Statements.

11 Ultimate controlling party

The ultimate controlling party of Forterra plc is Lone Star Funds. Further details of the relationship are disclosed within note 30 to the Consolidated Financial Statements.

Group Four Year Summary

Four year summary	2016 £m	2015 £m	2014 £m	2013 £m
Revenue	**294.5**	290.2	268.1	225.9
EBITDA (before exceptional items)	**70.6**	70.5	54.6	22.3
Operating profit (before exceptional items)	**60.2**	61.1	45.2	11.6
Profit before tax (before exceptional items)	**46.0**	33.8	40.0	11.3
Profit before tax (statutory)	**37.1**	22.2	33.4	1.5
Operating cash flow (before exceptional items)	**69.8**	53.8	52.8	44.2
Net debt	**92.3**			
Pro-forma earnings per share (pence)	**21.5**	20.6		
Dividend per share (pence)	**5.8**			

Financial Calendar and Other Shareholder Information

Calendar

The following dates have been announced:

2017 Annual General Meeting and trading update	23 May 2017
Payment of 2016 final dividend	6 July 2017
2017 interim results announcement	1 August 2017

Group Advisers

Registrars

Capita Asset Services

Statutory Auditor

Ernst & Young LLP

Brokers

Deutsche Bank AG

Numis Securities Ltd

Bankers

HSBC Bank plc

The Royal Bank of Scotland plc

Santander UK plc

Lloyds Bank plc

AIB Group (UK) plc

Raiffeisen Bank International AG

ICICI Bank UK plc

Financial PR

FTI Consulting

Company Information

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Shareholder Notes

Designed and produced by **Radley Yeldar** www.ry.com

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