KEEPING BRITAIN BUILDING

Forterra plc
Annual Report and Accounts 2019

FORTERRA PLC

HIGHLIGHTS

REVENUE

£380.0M

+3.4%

2018: 367.5m

NET DEBT[1]

£43.2M

+11.3%

2018: £38.8m

PROFIT BEFORE TAX[2]

£62.5M

(3.5%)

2018: £64.8m

EARNINGS PER SHARE[2]

25.6P

(3.4%)

2018:26.5p

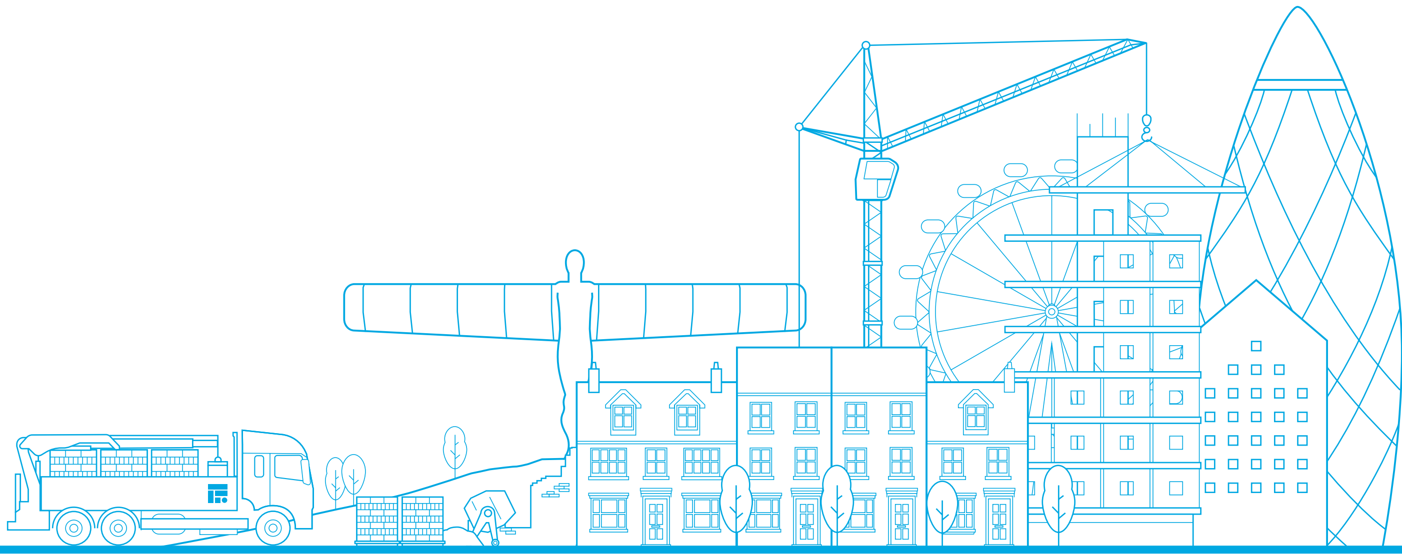
1 Net debt is presented before the impact of IFRS 16 in 2019.

2 Earnings per share and profit before tax are presented before exceptional items for 2019.

OUR PURPOSE IS TO KEEP BRITAIN BUILDING

We create bricks, blocks, precast concrete, paving and many other vital products that keep Britain building. We provide the building products that help our customers and communities prosper – from the initial groundwork through to the finished build.

The chances are, you're never far from a building or structure built using Forterra products.



STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

AT A GLANCE
KEEPING BRITAIN BUILDING

OUR PURPOSE

We keep Britain building to enable the development of thriving communities and infrastructure.

OUR STRATEGY

We aim to create sustainable shareholder value and deliver value for all of our stakeholders.

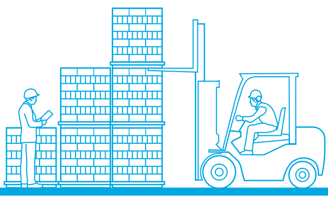
> see page 16 for more information

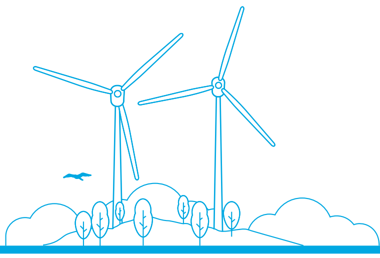
OUR BUSINESS MODEL

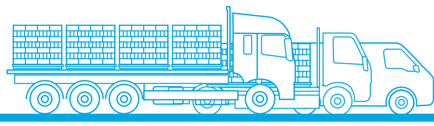
We create value through every stage of our business model, transforming raw materials into a range of sustainable building products that support the needs of the UK construction sector.

> see page 10 for more information

OUR INVESTMENT CASE







GROWTH

We are well-equipped to deliver long-term growth through helping to meet the residential construction needs of the UK.

Our manufacturing facilities produce a range of complementary products designed to meet the large-scale and growing demand of the residential construction sector, and we are continuing to invest in new facilities such as our Desford Brick facility, to ensure we are at the forefront of long-term market supply.

RESILIENCE

Our exposure to end markets is well balanced, with a strong presence in the historically less volatile repair, maintenance and improvement (RM&I) sector.

As the sole manufacturer of the iconic London Brick, we hold a strong position within the RM&I market. We also possess an agile manufacturing base, with the ability to flex production levels and our cost base to suit market requirements.

EFFICIENCY

The efficiency of our manufacturing base is at the heart of our strategy.

Exemplified by the completion of a series of de-bottlenecking projects across several of our manufacturing facilities to optimise throughput, increase capacity utilisation and reduce unit costs of production. In addition to this, we continuously strive for operational efficiency improvements through a lean manufacturing culture.

OUR RESOURCES

PEOPLE

Our employees possess an average length of service of over 12 years, providing us with a huge knowledge base from which we can create value.

FACILITIES

Our manufacturing sites are appropriately invested to ensure manufacturing efficiency, including the largest average brick capacity per facility in the UK.

> see page 11 for more information

OUR VALUES

Our corporate values focus on key behaviours and providing our employees with a framework for conducting business. Our organisational culture is developed around these principles.

SAFETY FIRST

Safety is our number one priority. Everyone who works with us should feel safe. We are each responsible for our own safety, health and well-being and for creating an accident-free environment.

PEOPLE MATTER

We strive to treat all our people fairly, involve them in decision-making and have open communication channels. This helps create an engaging workplace that attracts and retains successful people.

CUSTOMER FOCUS

We are dependent on our customers and work hard to develop strong, mutually beneficial relationships that ensure we are always their preferred supplier.

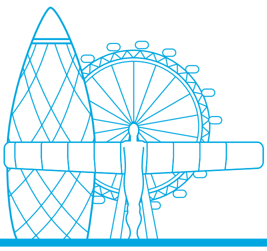
TRUSTED TO DELIVER

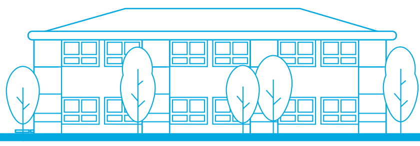
Working to the highest standards of compliance and environmental management, and mindful of our responsibility as a good neighbour we manufacture and supply industry leading products, delivering them where and when our customers need them.

DRIVING IMPROVEMENT

We embrace change and are open to new initiatives that bring better ways of working. We endeavour to continually improve all aspects of our business and performance.

> see page 10 for more information





UK FOCUS

Our focus is on UK markets, and we enjoy strong market positions in key industry sectors via our established brands.

As a leading supplier of clay bricks, concrete blocks, and precast concrete flooring we are ideally placed to benefit from government policy focused on housebuilding and infrastructure investment. Our proximity to our customers and low value-to-weight ratio of our products provides competitive advantages over imported products.

STRATEGY

We have established clear strategic priorities focused on achieving long-term sustainable growth for shareholders.

Our strategy combines the optimisation of our current core product range with expansion opportunities, through investment in new facilities, product development, and consideration of appropriate acquisitions. These options are supported by our highly cash generative business coupled with a strong balance sheet, allowing us to invest in future growth whilst maintaining a progressive dividend policy.

LEADERSHIP

Our leadership team possess strong industry experience with a track record of delivery.

Our Executive Committee supports our Board, and possess a diverse range of skills and experience, ensuring the business is ideally equipped to meet its long-term goals.

We support our employees with a strong leadership culture and an agile organisational structure, which enables us to respond to the needs of our customers.

CHAIRMAN'S STATEMENT

"The Board believes that the long-term fundamentals that drive demand for our products remain strong. The UK housing shortage is well documented, employment remains high and UK brick manufacturing capacity is insufficient to meet current demand."

Justin Atkinson
Non-Executive Chairman

HIGHLIGHTS

REVENUE

£380.0M

+3.4%

2018: £367.5m

PROFIT BEFORE TAX[2]

£62.5M

(3.5%)

2018: £64.8m

NET DEBT[1]

£43.2M

+11.3%

2018: £38.8m

EARNINGS PER SHARE[2]

25.6P

(3.4%)

2018: 26.5p

1 Net debt is presented before the impact of IFRS 16 in 2019

2 Earnings per share and profit before tax are presented before exceptional items for 2019.

OVERVIEW

In my first statement to you as your Chairman I have to report that 2019 proved a challenging year for Forterra and one which is very much a story of two halves. After a strong start, our key markets weakened in the second half of the year in the face of unprecedented political and economic uncertainty caused by the Brexit process and the general election. Notwithstanding this, we delivered a creditable result whilst making demonstrable progress in delivering upon our strategic objectives with the construction of our new brick manufacturing facility at Desford in Leicestershire now well underway.

RESULTS

In spite of the economic headwinds, the Group delivered a 3.4% increase in revenue to £380.0m (2018: £367.5m). Profit before tax (before exceptional items) decreased to £62.5m (2018: £64.8m). This small decline against a backdrop of weakening markets, demonstrates the resilience of the Group. Earnings per share (EPS) (before exceptional items) was 25.6 pence which is 3.4% lower than 2018 (26.5 pence). Basic EPS after accounting for exceptional items was 23.8 pence, a decrease of 10.2% on the 2018 EPS of 26.5 pence.

The strength of the Group's balance sheet remains evident with net debt, as stated before the impact of IFRS16, of £43.2m compared to a figure of £38.8m at the end 2018. This increase reflecting the commencement of spend on the new Desford facility.

STRATEGY IMPLEMENTATION

The Group's objective remains to generate sustainable shareholder value through delivering upon the following strategic priorities:

- drive for a flexible and efficient manufacturing base, aligning capacity to market conditions;
- maintain strong market positions in our core products; and
- expand the range of products and services offered both organically and through appropriate bolt-on acquisitions.

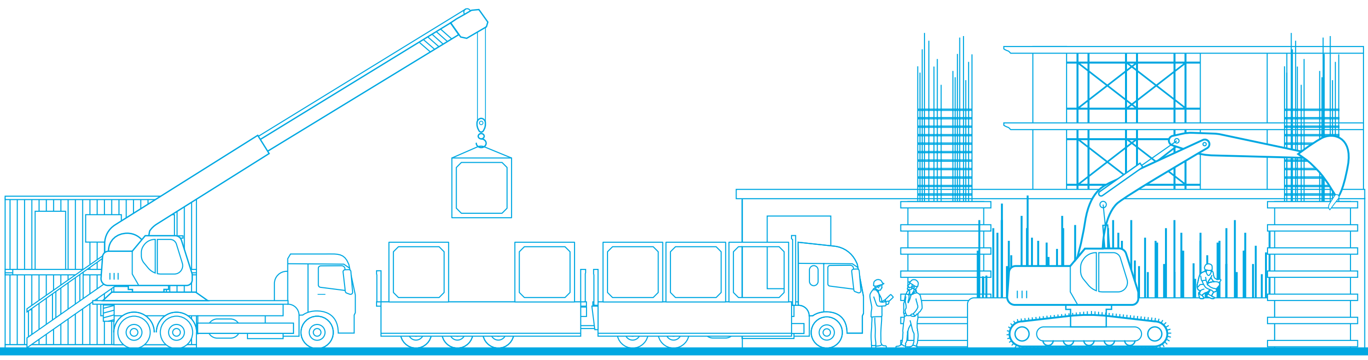
These priorities are underpinned by having high performing people throughout the business and continuing to strengthen customer relationships.

The Board believes the market headwinds experienced in the second half of 2019 to be temporary and that the long-term fundamentals that drive demand for our products remain strong. The UK housing shortage is well documented and the Government continues to pursue policies to stimulate housebuilding. Employment remains high with interest rates at near record lows. UK brick manufacturing capacity remains insufficient to meet current demand with a reliance on imports to address the shortfall.

In April 2019 we received the necessary planning consents for our new £95m production facility at Desford and shortly afterwards ground was broken and construction commenced. Desford is the centrepiece of the Group's organic growth strategy and will deliver production capacity of 180m clay bricks per annum, an incremental increase of 95m bricks over the current Desford facility, which will be decommissioned in due course. The new facility will increase our brick manufacturing capacity by 16% and produce a range of bricks already established and popular with housebuilders, and discussions with customers regarding future supply agreements have now commenced. The construction project is progressing to plan, with the shell of the building now nearing completion allowing fit out to commence ahead of the installation of the manufacturing equipment later in the year.

We have continued to innovate and develop our product range, and during the year our Bison Precast business won a major contract from the Ministry of Justice for a new prison in Wellingborough. This project showcases the continued development of Forterra's capability and we are pleased to supply a range of precast concrete walling products, including brick faced precast panels, to this prominent project.

In 2019 we also successfully delivered modifications to our aircrete block facility in Newbury to allow the use of conditioned (wet) pulverised fuel ash, which is a major step towards our goal of decoupling aircrete production from its reliance on coal-fired power generation.



CHAIRMAN'S STATEMENT
CONTINUED

CAPITAL ALLOCATION

During the year, the Board reviewed the Group's capital allocation priorities and reaffirmed these as follows:

1. ORGANIC INVESTMENT

The Desford project is a prime example of the attractive organic investment opportunities available to the Group, and the Board will continue to prioritise these projects. Whilst construction has commenced on the new facility, we continue to explore several other potential renewal and expansion projects which will give the Group optionality in years to come.

2. DIVIDENDS

Once fully operational, the new plant at Desford will deliver a significant increase in earnings through the cycle by increasing sales volumes and reducing the cash cost of production in comparison to the facility that it will replace. In anticipation of this increase in earnings, we previously announced an increase in our dividend pay-out percentage to 45% of earnings for 2019, along with restating our intention to maintain a progressive policy thereafter. This policy reflects the long-term earnings and cash flow generation potential of the Group whilst recognising that our primary markets are cyclical in nature.

3. ACQUISITIONS

We will continue to evaluate potential acquisitions which strengthen our existing market positions, expand our product range or enable us to address complementary markets. We will only pursue those opportunities where the strategic rationale can be demonstrated and where the financial hurdles set by the Board can be met.

DIVIDEND

The Board is proposing a final dividend of 7.5 pence per share, which together with the interim dividend, would make a total of 11.5 pence for the full year. This represents an increase of 9.5% over the 2018 total dividend of 10.5 pence. The proposed dividend is in line with the dividend policy outlined above.

HEALTH AND SAFETY

The safety, health and wellbeing of our employees, subcontractors and everybody we interact with in the course of our business is of paramount importance. We continue to work towards a workplace that is free from accidents and ill health although, despite our considerable efforts, I regret to inform you that we have again seen an increase in the number of lost time incidents suffered by our employees. This is not acceptable to either myself or the rest of the Board and whilst many of these accidents are relatively minor in their nature, I can assure you that we continue to strive to improve the health, safety and wellbeing of both our workforce and those who work with us and we will redouble our efforts to improve our performance in this area. To help us achieve this goal, the Board's Risk Committee commissioned an independent review of the effectiveness of the Group's approach to health and safety with a view to ensuring our approach continues to reflect best practice. The review covered not only our processes and procedures but also our culture and how we engage and interact with our workforce when it comes to safety. Responding to this review and implementing its recommendations will be our key safety priority in 2020. The Stakeholder Partnerships section, as detailed on page 29 of this Annual Report, provides further information in respect to our commitment to safety, health and wellbeing.

PEOPLE

The significant contribution our employees make to Forterra through their exceptional efforts and ongoing commitment is evident for all to see. In 2019 my fellow Directors and I have spent time at many of the Group's facilities and we continue to be impressed by the engagement, knowledge and enthusiasm displayed by our employees. We continue to offer employees the ability to participate in the Company's success through the Sharesave plan and with the first three-year plan maturing at the end of 2019 it was pleasing to see our employees realise a substantial gain upon the amount saved given the progression of our share price since the IPO in 2016.

CORPORATE CULTURE

The Board is conscious of the increasing focus placed upon corporate culture and the responsibilities placed on the Board to provide strong leadership in ensuring we do business responsibly with the highest ethical standards whilst minimising the impact our business has on the environment.

We are pleased to include within this Annual Report new disclosures covering our purpose, our values and how we interact with our stakeholders.

In 2020 we plan to increase the visibility of the Board by holding more of our Board meetings at the Group's operational facilities.

CORPORATE GOVERNANCE

The Board remains committed to the highest standards of Corporate Governance not only at Board level but throughout the Group. The Group continues to comply in full with the requirements of the UK Corporate Governance Code and the Governance section highlights how we have complied with the changes to the new UK Corporate Governance Code 2018. One of these changes is that Non-Executive Director, Martin Sutherland, has been appointed as the designated Non-Executive Director with responsibility for employee engagement and as part of this role Martin will attend meetings of, and receive feedback from the Employee Forum.

The Corporate Governance section of this report also outlines the Board's approach to Corporate Governance arrangements. The section includes reports from each of the Committee Chairs, providing details on key matters addressed by the Committees during the year.

With nearly four years having passed since our admission to the public market, the Board is now required to review our Remuneration Policy and table this for shareholder approval at the forthcoming AGM. Our revised and updated Remuneration Policy is included within the report of the Remuneration Committee and can be found on pages 61 to 85.

Our s172(1) statement as required by the Companies Act is included in the Directors' Report and further information on Stakeholder Partnerships can be found on page 29 of this Annual Report.

BOARD CHANGES

Paul Lester retired as Chairman at the conclusion of the 2019 AGM and I wish to place on record my thanks for his efforts in guiding the Company through a successful IPO and helping it to become established as a listed company. As I stepped up to become your new Chairman, Katherine Innes Ker also stepped up to replace me as Senior Independent Non-Executive Director.

I was pleased to welcome Vince Niblett who joined the Board on 8 February 2019 and whom subsequently succeeded me as Chairman of the Audit Committee. Vince brings extensive and complementary experience to the Board having spent many years as a partner with international professional services firm, Deloitte.

In addition, Shatish Dasani stood down from the business at the end of 2019 following four years of service in which he played a key role in the IPO and the subsequent success of the business. I am very pleased to welcome Ben Guyatt to the Board as Chief Financial Officer. Ben previously held the role of Director of Finance and Company Secretary and has gained a wealth of experience within the Group playing key roles in both the separation of the business from HeidelbergCement and the subsequent IPO. I am particularly pleased that we have been able to make an internal appointment for this important role, demonstrating the success of our succession planning.

OUTLOOK

The first half of the year saw strong demand for our products, which slowed in the second half as the impact of political and economic uncertainty weighed on consumer confidence. The general election result in December should provide greater political certainty in the future.

Demand for our products is driven by housebuilding activity. As enabling works such as access roads and drainage generally need to be completed on new housing developments before our products are required on site, we typically experience some lag in demand following an increase in housebuilding activity. We remain optimistic that demand will recover through the year although this may take some time given an extremely wet winter.

Therefore, as stated in January 2020, the Board continues to expect the challenging market conditions experienced in the second half of 2019 to gradually improve but anticipates that the Group's performance in the first half of 2020 will be below that achieved in the first half of 2019.

Whilst the Board remains watchful of any further political and economic uncertainty, our investment in the new Desford brick manufacturing facility, which will be the largest brick factory in Europe, reflects confidence in our ability to capitalise on the attractive market fundamentals and to deliver sustainable shareholder value over the medium-term.

Justin Atkinson
Non-Executive Chairman

"The Board is conscious of the increasing focus placed upon corporate culture and the responsibilities placed on the Board to provide strong leadership in ensuring we do business responsibly with the highest ethical standards whilst minimising the impact our business has on the environment."

Justin Atkinson
Non-Executive Chairman

Q&A WITH THE CHIEF EXECUTIVE

Q. How would you evaluate Forterra's performance in 2019?

A. 2019 was a challenging year for our business against an uncertain political and economic backdrop, with weakening in our key markets, notably in the second half of the year. In spite of this, the Group delivered a 3.4% increase in revenue and passed most cost increases on to our customers effectively. Housing starts regressed in the year, down 8% versus 2018, and this was key in the slowdown noted in H2. Operationally, our brick business had a positive year, noting record production at our Measham facility alongside the commencement of the key expansion project at our Desford site.

The Bison Precast business had a difficult year, in a challenging market where margins have come under increasing pressure. Productivity at the acquired Swadlincote facility has however continued to improve, which will be fundamental to the future performance of Bison.

Q. How is the Group positioned for 2020 and beyond?

A. The Group is well positioned as we move into the new year and new decade. The political backdrop has shifted following the general election and the certainty afforded by the resultant majority in parliament has contributed to an improved market sentiment. For our business to benefit from this optimism we need to see our housebuilder customers increase the rate of housing starts and to open new outlets. Assuming this happens, we would expect to see the benefits in the spring.

Cost increases in our brick business have been successfully passed on, although market conditions are more difficult in our concrete businesses, meaning in some cases we have not been able to fully recover cost inflation. We start the year with a little more inventory than in recent years which will allow us to maintain our levels of customer service although generally, inventory levels remain lower than long-term norms.

Longer-term we remain convinced that the key economic and demand fundamentals remain aligned in our favour. We are looking forward to the opening of our new Desford brick facility next year; this project demonstrates our optimism for the future and our confidence in our key markets. Desford will increase our brick manufacturing capacity by 16%, in time allow us to supply a further 95 million bricks each year to ensure we help keep Britain building. Beyond Desford we are already working on a number of enhancement and expansion projects which will secure our core business for many years to come. In addition, we have increased our efforts to develop our existing products alongside introducing new products including those focused on off-site solutions, allowing us to move with the market as demand for these solutions becomes increasingly prominent.

Brexit remains a source of great uncertainty, the general election result has provided a degree of optimism in our key markets although until the future trading relationship with Europe is agreed then it is entirely possible that at present we are only seeing a hiatus in the uncertainty and that we will see uncertainty build again as we approach the end of the transition period at the end of this year.

The Group is also closely monitoring the potential impact of COVID–19 carefully and will continue to review the possible effects on the business and refine its contingency plans accordingly. The Group does not envisage any specific impacts to its business although it may suffer from any general disruption should the virus adversely affect wider economic activity in the UK.

Q. How would you describe Forterra's safety performance in 2019?

A. Regrettably I have to report that our safety performance in 2019 fell short of our expectations and we must improve. Despite the consistent focus on safety, we recorded an increase in lost time incidents in the year. These are accidents where one of our colleagues came to work and was injured to an extent that they were unable to come into work for their next shift. The safety, health and wellbeing of not only our employees, but everyone we come into contact with, is of primary importance and we strive for zero harm. We work extremely hard to ensure we are a safe company and that everybody is able to return safe and well to their families after a day at work but unfortunately we are falling short in this area. We have commissioned an independent root and branch review of our approach to health and safety covering not only our processes and procedures but also our culture and how we engage and interact with our workforce when it comes to safety. This review is currently ongoing and a key priority for 2020 will be to implement the actions and improvements highlighted by this review.

Q. How would you describe Forterra's culture?

A. Our corporate values focus on key behaviours and providing our employees with a framework for conducting business, and our organisational culture is developed around these principles accordingly:

- safety first;
- people matter;
- customer focus;
- trusted to deliver; and
- driving improvement.

The resulting culture is open and collaborative, where challenge is encouraged, and we all work towards driving improvement across our business.

A high proportion of our employees own shares in the business, creating a natural affiliation with the performance of our business.

Accepting that culture isn't built in a year, we recognise that changes to a corporate culture can only be delivered over a number of years and that making changes to culture is an evolutionary process.

Taking safety as an example, we are working to enhance the safety culture within the business but this means reaching each and every one of our colleagues and helping them change the way they think about safety and how they perceive and react to the risks they face every day.

Q. How is Forterra implementing the requirements of the UK Corporate Governance Code (2018) around employee engagement?

A. The revised UK Corporate Governance Code (2018) (Revised Code) requires that in order for the Company to meet its responsibilities to shareholders and other stakeholders the Board should ensure effective engagement with these parties.

Our employees are key stakeholders in our business. The Revised Code stipulates that we should adopt one of the following methods to engage with our workforce:

- a director appointed from the workforce;
- a formal workforce advisory panel;
- a designated Non-Executive Director.

Having considered the different options, the Board decided that a designated Non-Executive Director would be the most suitable approach and Martin Sutherland was selected for designation to this role. The Board determined that employee engagement would be best facilitated through the Forterra Employee Forum, an elected body of constituency employee representatives representing all of our employees. In this role Martin attends and participates in regular meetings of the Forum and as part of this engagement process we are hopeful of expanding the role the Forum plays in our business by asking them for their input from an employee perspective on the key issues and challenges facing the business.

In reference to its new obligations under s172(1), the Board have both individually and together, acted in a way they consider most likely to promote the success of the company in the decisions taken during the year.

Q. What is Forterra doing to minimise its environmental footprint?

A. As a business we are committed to protecting the environment. We report our progress against a number of 10 year targets which were set in 2010 and come to an end in 2020. This is therefore a natural time for us to review our impact on the environment and our approach to sustainability going forward. It is a fortunate coincidence that the time for us to consider our position and set new targets comes at a time when the there has never been a greater focus on the environment and sustainability and we are determined to discover ways of reducing our environmental footprint whilst continuing to manufacture high quality products that will be used to provide high quality homes which will last for generations to come.

I will be pleased to share our full vision and new targets in next year's Annual Report. One area we are determined to address, in addition to carbon emissions, is the use of single use plastics in our business.

We have recently launched a project to consider our use of plastics and wish to engage with our customers, many of whom currently mandate that we wrap our products in plastic for safety and product preservation reasons, to find an alternative way of meeting their requirements.

OUR BUSINESS MODEL
KEEPING BRITAIN BUILDING

OUR VALUES

Our employees are guided by our five values, which create the framework for our behaviour and culture.

SAFETY FIRST

Safety is our number one priority. Everyone who works with us should feel safe. We are each responsible for our own safety, health and wellbeing and for creating and accident free environment.

PEOPLE MATTER

We treat all of our people fairly, involve them in decision-making and ensure communication is open and transparent, helping to create an engaging workplace that attracts and retains successful people.

CUSTOMER FOCUS

Our business is dependent on its customers. We work hard to develop strong, mutually beneficial relationships that ensure we are an industry supplier of choice.

TRUSTED TO DELIVER

Working to the highest standards of compliance, and acting responsibly as a sustainable manufacturer, we are committed to servicing our customers' needs, and to keep Britain building.

DRIVING IMPROVEMENT

Never satisfied with the status quo, we endeavour to constantly improve our business, embracing new ideas and continually challenging ourselves to outperform.

over **90m** tonnes

over **50yrs** production

RESERVES & RESOURCES

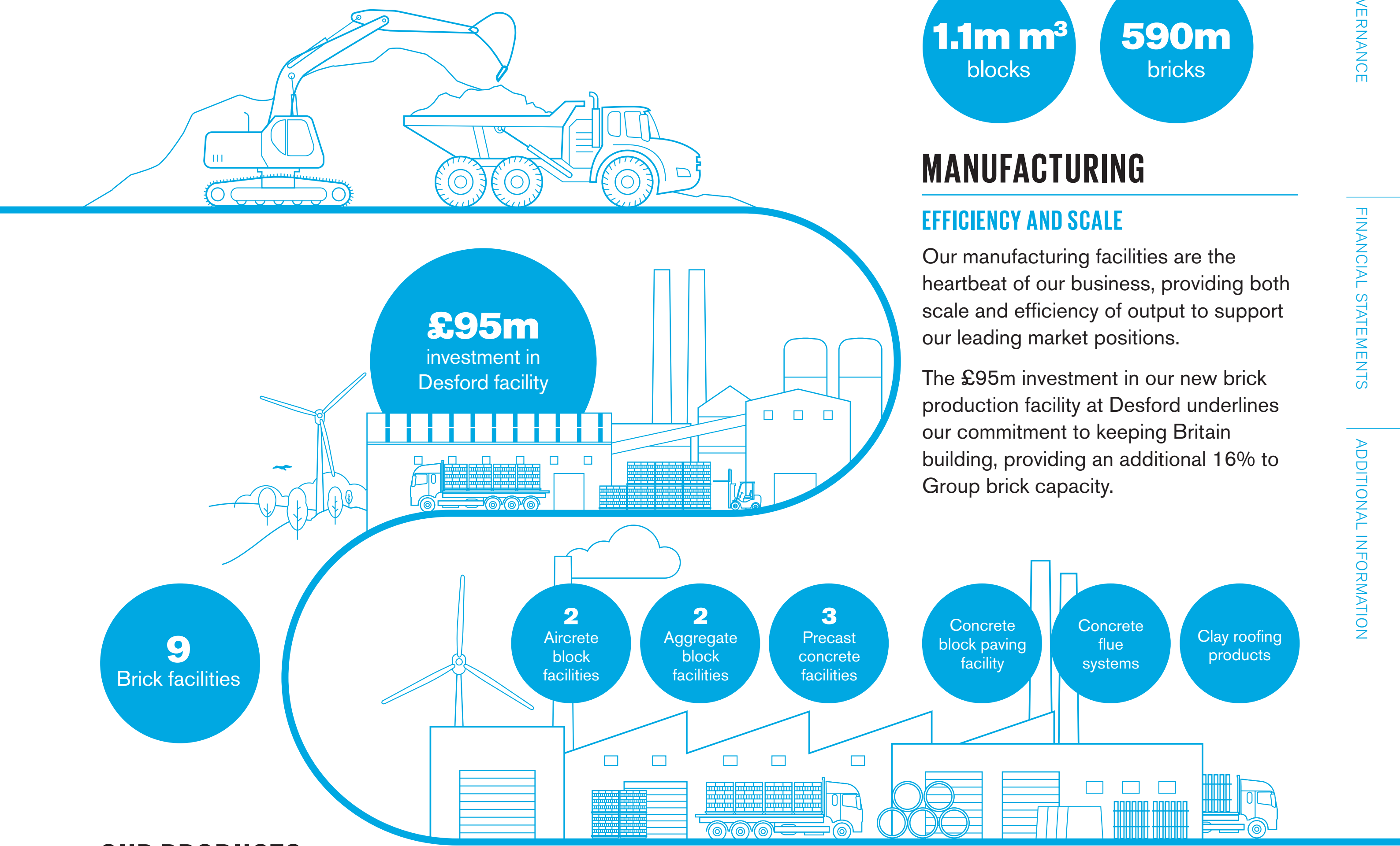
SECURITY OF SUPPLY

Our raw material resources provide long-term security for our business, such as our access to over 90m tonnes of clay reserves, utilised for brickmaking.

Other key raw materials including cement, aggregates, PFA and steel are externally sourced via our central procurement team.

1.1m m^3 blocks

590m bricks



£95m investment in Desford facility

MANUFACTURING

EFFICIENCY AND SCALE

Our manufacturing facilities are the heartbeat of our business, providing both scale and efficiency of output to support our leading market positions.

The £95m investment in our new brick production facility at Desford underlines our commitment to keeping Britain building, providing an additional 16% to Group brick capacity.

9 Brick facilities

2 Aircrete block facilities

2 Aggregate block facilities

3 Precast concrete facilities

Concrete block paving facility

Concrete flue systems

Clay roofing products

OUR PRODUCTS

BRICKS

Our clay bricks range includes the iconic London Brick, and is complimented by a comprehensive range of wire-cut, pressed, thrown and special shaped products to satisfy a variety of end-use markets.

BLOCKS

Our inner leaf walling products include Thermalite, a leading lightweight, thermally efficient block used within residential construction, and the Conbloc range of dense and lightweight aggregate blocks. Landscaping solutions are provided by our Formpave concrete paving range.

BESPOKE PRODUCTS

Bison precast spearheads our bespoke products offer, providing a range off offsite manufactured concrete walling, flooring and ancillary products. Jetfloor, our insulated ground floor system leads our offering into the new build residential market.

THE ORIGINAL LONDON BRICK | BUTTERLEY BRICK | ECOSTOCK BRICK | CRADLEY SPECIAL BRICK | THERMALITE | CONBLOC | INNOVATORS IN FORMPAVE PERMEABLE PAVING | BISON PRECAST | RED BANK | JETFLOOR

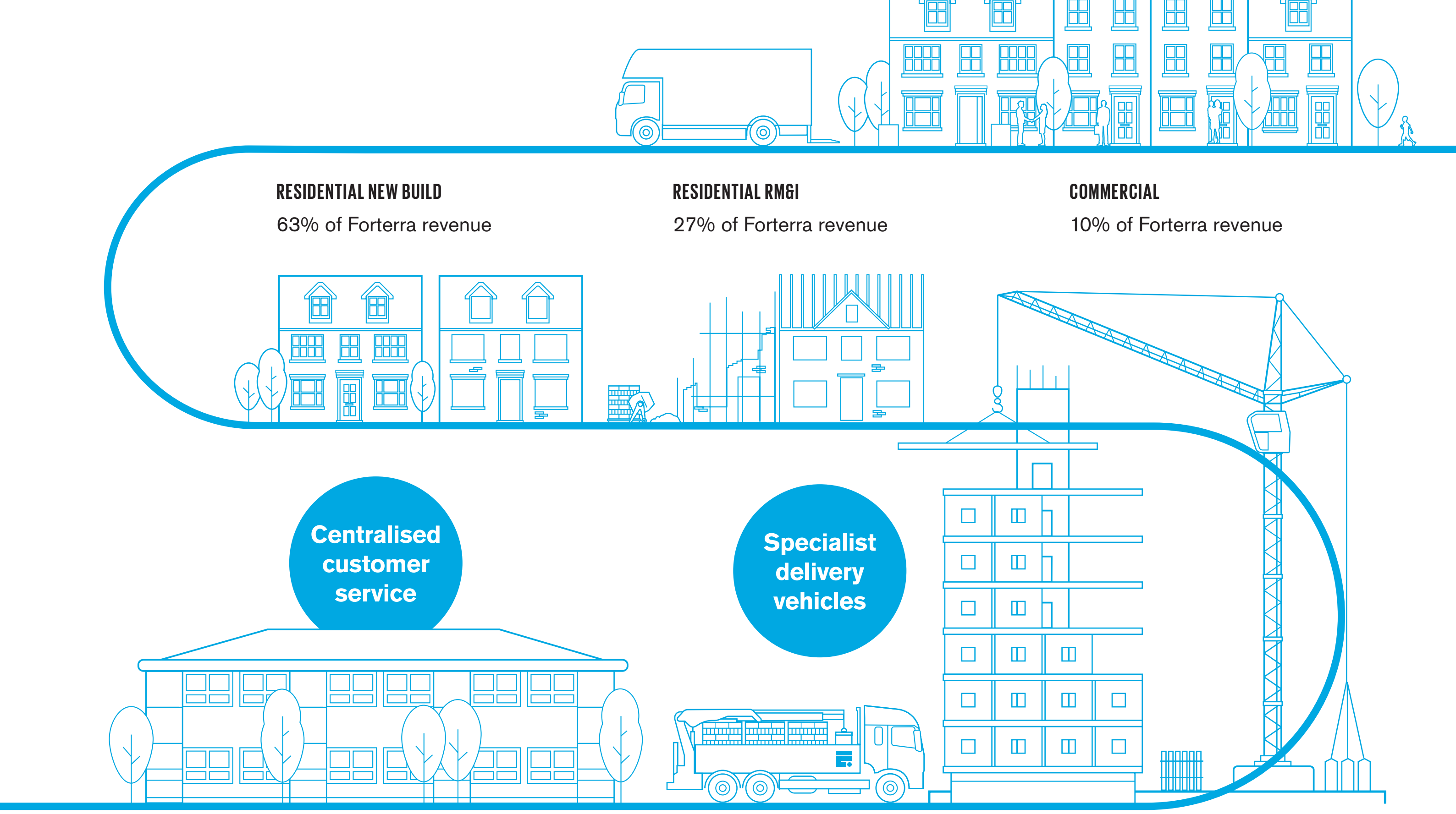
OUR BUSINESS MODEL
KEEPING BRITAIN BUILDING

BUILDING SUSTAINABLE COMMUNITIES

RESIDENTIAL AT OUR CORE

Our products service a wide range of markets, however the majority of our exposure is within the residential new build, and residential repair, maintenance and improvement (RM&I) markets.
Our complementary range of flooring and walling products coupled with the scale to supply on a national basis sets us apart from many other manufacturers.

We enjoy strong, long-standing relationships with our customers in the supply chain, including major house builders, distributors and builders' merchants. Being agile to our customers' needs, and the demands of the market are key contributors to our success.



OUR PRODUCTS

DEDICATED SUPPORT

Distribution of our products on a national scale has been enabled through investment in our 150 delivery vehicles. Our field based commercial teams provide account management to customers, supported by a centralised support function and technical service team equipped to advise on appropriate applications of our products.

END-TO-END SERVICE

Across several of our products, we offer further service enhancements in the form of design, specification and installation services, especially where products are of a more bespoke nature, including our offsite manufactured range of precast concrete. This comprehensive, end-to-end service ensures we remain easy to do business with as a trusted delivery partner.

A SUSTAINABLE APPROACH

As a responsible manufacturer, we are committed to doing business in a sustainable way. Alongside our regulatory environmental commitments, including land restoration which is often transformed to benefit local communities, we reuse both waste raw materials, and waste energy back into our production processes.
Our future focus areas on sustainability are detailed further on page 39.

VALUE CREATION

SHAREHOLDERS

A progressive dividend policy, supported by a strong balance sheet and level of cash generation.

11.5P

Dividend (+9.5%)

EMPLOYEES

Via equity ownership, and committed investment in career and personal development to ensure our people prosper.

6.9/10

Employee engagement score

SUPPLIERS

We work collaboratively with our supply partners to ensure value is delivered throughout our supply chain.

85%

Annual spend with suppliers registered through our own compliance system

COMMUNITIES

We supply the materials to build sustainable communities, creating local employment and ensuring we do business in a sustainable way.

75%

10-year sustainability targets met (2010-2020)

CUSTOMERS

By continuously engaging with our long-standing loyal customer base we aim to offer industry leading customer service.

7.6/10*

Customer satisfaction
*Brick and Block

We create value at every stage in our business model, for a variety of stakeholders.

MARKET OVERVIEW

ECONOMIC OVERVIEW

2019 proved to be a challenging year for the UK economy, defined by uncertainty around Brexit and the political ambiguity that accompanied this. As a core subset of this, the new build housing market suffered as a result, showing a marked deterioration particularly in the second half of the year. In spite of this there remains a cross-party political agenda to build more homes, re-enforced in December's general election whereby the Conservative government pledged to build a further 1 million new homes across the term whilst striving towards the annual target of 300,000 by the mid 2020's. This goal is supported by a number of key fundamentals; with employment levels, interest rates and mortgage availability remaining supportive.

The political turbulence that dominated 2019 was reflected in modest GDP growth of 1.4%, and despite an increased level of certainty afforded by a parliamentary majority, uncertainty over the Brexit transition and associated trade negotiations remains. As such, the Office for Budget Responsibility 2020 growth forecast is also 1.4%.

OUR MARKET

Our products are used almost exclusively in construction within the UK. Demand for these 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.

Our products are utilised predominantly within the residential construction sector.

In 2019, c.90% 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 end-use figures.

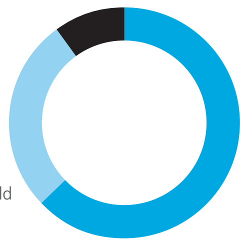
UK HOUSING MARKET

The residential construction sector in the UK consists of 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, which fell 8% and rose 3% respectively in 2019 according to CPA estimates, indicating that the housebuilders have been selling from stock and reducing inventory as a result. The CPA forecast for 2020 predicts a contraction in housing output of 0.6%, across both private and public sector.

Since its introduction in 2013, the Help to Buy equity loan scheme has assisted in driving the increased proportion of property transactions accounted for by new build housing (15.5% in H1 2019 vs. 8.8% in 2014). In its current form, this will remain until 2021 with extension into 2023 under amended terms. This supportive government policy, alongside other strong market fundamentals should continue to drive this new build market; though this could be offset by a more challenging RM&I market, which weakened (notably in H2 of 2019) against an uncertain consumer outlook and slowdown in nationwide house prices.

The Government is committed to supporting housebuilding and major market sectors continue to grow.

FORTERRA REVENUE BY END USE



%
63 Residential new build
27 Residential RM&I
10 Commercial

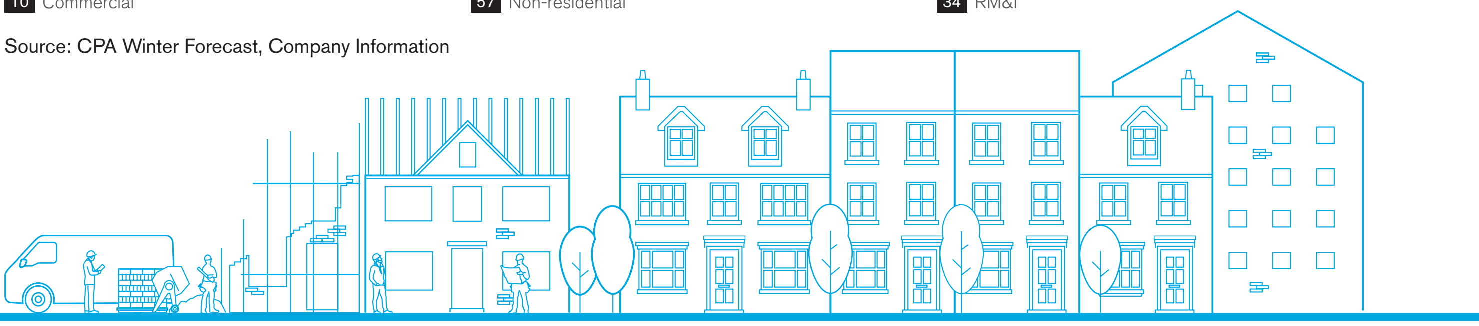
UK MARKET BREAKDOWN

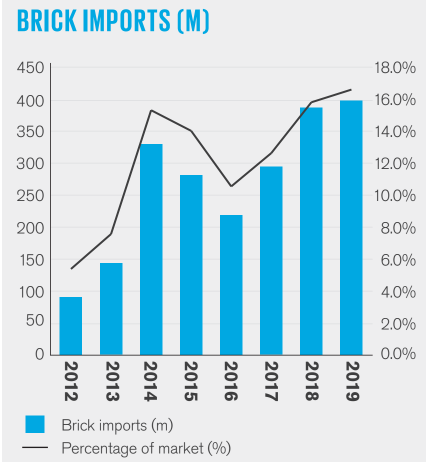
%
43 Residential
57 Non-residential

UK MARKET BREAKDOWN BY END USE

%
66 New works
34 RM&I

Source: CPA Winter Forecast, Company Information





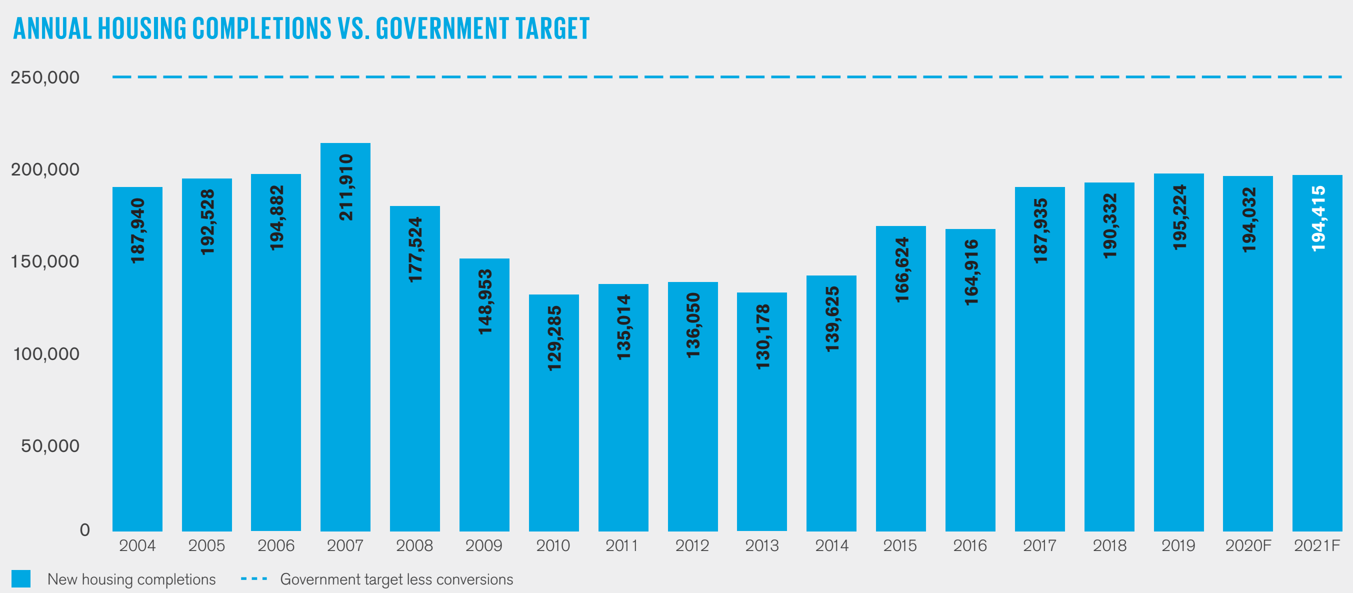
Source: HMRC, ONS

OFF-SITE CONSTRUCTION

The use of off-site, and modern methods of construction continues to develop within the industry, and will help bolster the rate of growth in the sector, particularly in instances where speed of construction is a key requirement, such as public sector housing, and the build to rent market. Off-site construction may demand fewer traditional building products such as bricks and blocks, however Forterra continues to develop products to serve this growing market.

"We will continue our progress towards our target of 300,000 homes a year by the mid-2020s. This will see us build at least a million more homes, of all tenures, over the next Parliament – in the areas that really need them. And we will make the planning system simpler for the public and small builders, and support modern methods of construction."

Source: Conservative Manifesto



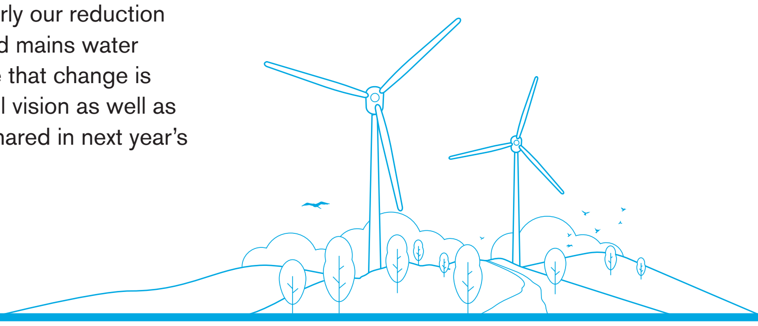
Source: MHCLG, Construction Products Association, Forecast Winter 2019/20 (GB Completions)

OUR STRATEGY
PERFORMANCE REVIEW

We have a clear strategic focus that enables us to deliver attractive long-term shareholder returns. We continue to focus on delivery of this through our three key strategic priorities, with considerable progress made during 2019.

UNDERPINNED BY OUR COMMITMENT TO SUSTAINABILITY

Sustainability is critical in ensuring our longevity as a business. We are committed to an environmental, and social responsibility programme which highlights our key long-term priorities and future focus areas. Whilst we are pleased with our progress over the last decade, particularly our reduction in waste to landfill and mains water usage, we appreciate that change is necessary and our full vision as well as new targets will be shared in next year's Annual Report.



OUR PRIORITIES

MANUFACTURING EXCELLENCE

Productivity, quality, and capacity utilisation provide the fundamental drivers of our financial performance, underpinned by an unerring desire for a safe working environment. Our continuous improvement philosophy guides our manufacturing today, and our investment decisions for the future such as investment in our new facility at Desford.

CORE PRODUCT FOCUS

Our manufactured products of clay bricks, concrete blocks, and precast concrete flooring form our complimentary core product offering into the new house build sector. By successfully meeting customer requirements we are able to leverage strong positions within this market, benefitting from the scale of supply which our operations afford.

BUSINESS EXPANSION

Our growth strategy includes both organic opportunities such as additional capacity investments and new product development, and also inorganic acquisitions and partnership where the right opportunities arise. Sustainable shareholder value will be at the forefront of all our future investment decisions.

OUR PROGRESS

OUR PROGRESS DURING THE YEAR

- Our Bricks business continued to deliver our strategic mission to keep Britain building. Overall our brick production increased by 4% in 2019, and our flagship soft mud brick factory at Measham recorded its best year, with over 100m bricks produced for the first time;
- Our ability to service a variety of markets was evidenced through bricks supplied into architectural led specification projects such as York House, and the award-winning Interlock project in central London;
- Construction of the new Desford brick facility progressed according to plan over 2019, and remains on course to deliver increased capacity to the Group from 2022;
- The level of new product development accelerated over 2019, specifically within the area of offsite precast walling products such as brick faced concrete panels, where we supplied several large projects over the year. Further to this, development of our SureBrick façade system continued through to market launch;
- Focused on the new housing sector, our insulated beam and block flooring system returned impressive sales growth of 23% in 2019, driven by further customer gains and facilitated by our ability to leverage our range of products across our customer base;
- The Newbury aircrete facility completed a £3.7m capital investment to enable the use of conditioned ash at the site, mirroring the investment made at its sister plant at Hams Hall in 2018, and further delivering on our materials strategy of decoupling Aircrete production from coal-fired power generation.

NEW PRODUCT DEVELOPMENT

Our rate of new product development accelerated over 2019 and was particularly focused on offsite walling and façade products.

As a consequence of our acquisition of the Bison business in 2017, the Somercotes factory in Derbyshire has been re-focused upon offsite walling products, most notable precast concrete walling panels, often incorporating a brick facade.

We achieved significant progress in this area, culminating in a major project contract for the Ministry of Justice at Wellingborough Prison, as well as a significant university residential scheme.

An innovative and unique new product development resulted in the supply of prefabricated, single skin brick walls to a significant flood alleviation scheme in Derby. We believe this solution focused development could be pioneering within the sector.

Finally, our SureBrick façade system, a mechanically fixed fully non-combustible solution suited to projects both below and above 18 metres, was further developed through to market launch, placing Forterra at the forefront of offsite façades and masonry walling manufacture in the industry.

OUR STRATEGY
OUR FUTURE

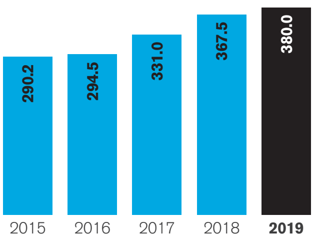
BUILDING FUTURE COMMUNITIES

Our investment in the new brick facility at Desford in Leicestershire continues at pace. The investment will redefine brick production in the UK, with a capacity of 180 million bricks per annum, the equivalent of 25,000 new houses. Desford confirms our commitment to keeping Britain building, and will ensure that Forterra is established at the heart of future communities.

Over the course of the year the site has witnessed a dramatic transformation, starting with initial demolition of a redundant area of the existing factory, substantial ground works have been completed and the new factory building is substantially complete. The build of the new factory is being skilfully managed to ensure that the existing facility remains operational until changeover is complete, safeguarding our existing capacity and thus ensuring we continue to meet the requirements of our customers.

KEY PERFORMANCE INDICATORS

REVENUE



DEFINITION

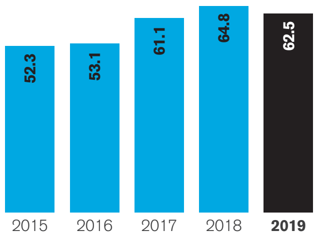
Revenue represents the sale of our products, net of rebates, discounts and value added taxes.

PERFORMANCE

Revenue increased by 3.4% compared with 2018, primarily attributable to growth within the Bespoke Products segment and specifically the Bison Precast business. In this segment revenue grew by 12.3% from 2018.

Revenue within the Bricks and Blocks segment remained broadly stable, with an increase of 0.6% from 2018, as selling price increases obtained broadly offset the decline in sales volumes.

PROFIT BEFORE TAX



DEFINITION

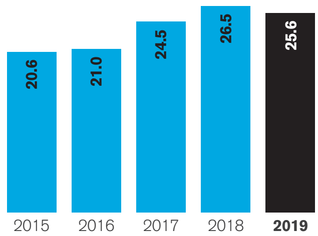
Profit before tax adjusted for exceptional items.

Metrics presented for 2015 and 2016 include additional costs related to being a stand-alone plc and with finance costs presented as if the debt facility at IPO as if it had been in place throughout both years.

PERFORMANCE

Profit before tax and exceptional items was lower than 2018, driven by the decrease in operating result. This decline is a function of the revenue growth within the Bespoke Products segment where margins are lower than in Bricks and Blocks.

EARNINGS PER SHARE



DEFINITION

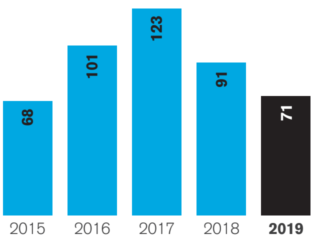
Basic earnings per share adjusted for exceptional items.

Metrics presented for 2015 and 2016 include additional costs related to being a stand-alone plc and with finance costs presented as if the debt facility at IPO as if it had been in place throughout both years.

PERFORMANCE

Earnings per share (EPS) before exceptional items was 25.6 pence compared with 26.5 pence for 2018, a decrease of 3.4%. This decrease is a function of the reduction in operating result coupled with an increase in the effective tax rate.

OPERATING CASH CONVERSION



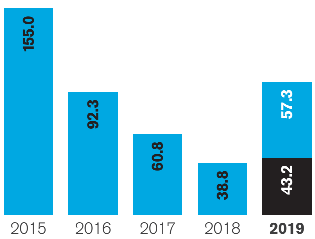
DEFINITION

Operating cash conversion is calculated as operating cash flow before exceptional items less capital expenditure (excluding spend on the Desford project) divided by operating profit before exceptional items. We have removed the capital spend related to the Desford project from this KPI as this is a long-term project that will generate cash flows over a period in excess of 30 years.

PERFORMANCE

The Group continues to be highly cash generative. The reduction in 2019 was due to the increase in working capital in the period, primarily in inventories where the year-end balance has increased by £10.4m.

NET DEBT



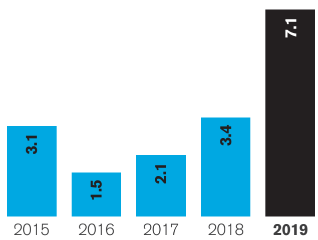
DEFINITION

Net debt comprises the balance of short and long-term borrowings, less cash and cash equivalents. The KPI has been presented both including and excluding the impact of the IFRS 16 leasing standard.

PERFORMANCE

Net debt, as stated prior to IFRS 16, increased modestly during the year to £43.2m at the end of the year; reflecting the reduction in operating cash flow in the period.

LOST TIME INCIDENT FREQUENCY



DEFINITION

Our lost time incident frequency rate (LTIFR) is calculated using contracted working hours and is stated as the number of lost time incidents per million hours worked.

PERFORMANCE

Our LTIFR was 7.1 incidents for every million hours worked in 2019 which regrettably is an increase compared to the previous year. Many of these lost time incidents were of a less significant nature and did not result in a prolonged absence from work. We remain committed to educating and emphasising the importance of safety.

BUSINESS REVIEW
RESULTS FOR THE YEAR

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

The table overleaf is presented to allow like-for-like comparison of the current and previous year's results. The statutory 2019 results are adjusted to remove the impacts of adopting IFRS 16 and exceptional items providing a meaningful comparison with the prior year. The prior year comparative figures have not been restated on adoption of IFRS 16 and there were no exceptional items in 2018.

Group revenue for the year ended 31 December 2019 was £380.0m (2018: £367.5m), an increase of 3.4%. Bricks and Blocks revenues grew by 0.6% and Bespoke Products grew by 12.3%, specifically attributable to the Bison Precast business.

This growth was achieved against a backdrop of slowing construction activity. The prolonged political paralysis surrounding Brexit and the December general election took its toll on the economy, with all key indicators confirming a marked deterioration in our key markets in the second half of the year.

The primary drivers of demand for our products are new housebuilding and residential repair, maintenance and improvement (RM&I). National House Building Council (NHBC) figures show that housing starts in 2019 declined 8% on the prior year. NHBC also reports that the number of new building sites opened in 2019 fell 17% relative to 2018. In addition, data from the Office of National Statistics (ONS) highlighted that the private residential repair maintenance and improvement (RM&I) market also declined approximately 2% in 2019 with this rate of decline increasing towards the end of the year. This reduction in activity across our key markets impacted sales volumes across the majority of our products.

Earnings before interest, tax, depreciation and amortisation (EBITDA) as stated before the impact of IFRS 16 and exceptional items were £76.4m (2018: £78.8m), demonstrating the Group's resilience in the face of the weaker market conditions.

As in previous years, the majority of our selling price increases were agreed at the start of the year and were generally sufficient to offset input cost inflation. Pricing was more difficult in the Bison Precast business however with strong competition in this market limiting achievable price increases. Significant energy cost inflation was experienced during the year. Raw material cost inflation was more benign, with the exception of pulverised fuel ash (PFA), which we use for aircrete block production. Due to shortages of supply, we purchased some imported PFA at higher prices to ensure continuity of production.

The profit reported by our Bespoke Products segment, of which the Bison Precast business is the primary constituent, again fell short of our expectations. Notwithstanding the improvements in manufacturing efficiency which we have steadily achieved, market conditions in the precast concrete market have deteriorated since we purchased the Swadlincote factory in 2017.

During the year the Group incurred exceptional costs totalling £4.3m, primarily comprised of restructuring costs as we aligned production to prevailing market conditions (see page 28 for further details on these costs). Profit before tax as stated on a statutory basis was £58.2m (2018: £64.8m) reflecting the slight reduction in the trading result along with the exceptional costs.

The EBITDA margin, as stated before exceptional items and IFRS 16, for the year was 20.1% (2018: 21.4%). This decline is a function of the strong revenue growth in Bespoke Products where margins are lower than in Bricks and Blocks.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share (EPS), as stated before exceptional items, was 25.6 pence (2018: 26.5 pence). Basic EPS after exceptional items was 23.8 pence (2018: 26.5 pence), reflecting the lower trading result, exceptional items and higher tax rate.

As reported in the Chairman's Statement, the Board is proposing a final dividend of 7.5 pence per share, which together with the interim dividend, would make a total of 11.5 pence for the full year. This represents an increase of 9.5% over the 2018 total dividend of 10.5 pence.

RESULTS FOR THE YEAR

	Revenue		EBITDA				
	Statutory 2019 £m	**Statutory 2018 (restated) £m**	Statutory 2019 £m	IFRS 16 £m	Exceptional items £m	**Before exceptional items and IFRS 16 2019 £m**	**Statutory 2018 £m**
Bricks and Blocks	**279.1**	**277.5**	77.1	(5.7)	3.3	**74.7**	**75.8**
Bespoke Products	**103.5**	**92.2**	2.0	(0.6)	0.3	**1.7**	**3.0**
Intersegment elimination	**(2.6)**	**(2.2)**	–	–	–	**–**	**–**
Unallocated exceptional cost	**–**	**–**	(0.7)	–	0.7	**–**	**–**
Group total	**380.0**	**367.5**	78.4	(6.3)	4.3	**76.4**	**78.8**

In 2019, the Formpave business was reclassified from the Bespoke Products to the Bricks and Blocks segment after management reorganisation. Overhead allocation was also changed to reflect this. The 2018 results have been restated to reflect this change comparatively across periods. Further detail can be found within note 4 of the Consolidated Financial Statements.

IFRS 16 AND EXCEPTIONAL ITEM BRIDGE

	Statutory 2019 £m	IFRS 16 2019 £m	Exceptional items 2019 £m	**Before exceptional items and IFRS 16 2019 £m**	**Statutory 2018 £m**
Revenue	380.0	–	–	**380.0**	**367.5**
EBITDA	78.4	(6.3)	4.3	**76.4**	**78.8**
Depreciation and amortisation	(17.7)	5.9	–	**(11.8)**	**(11.7)**
EBIT	60.7	(0.4)	4.3	**64.6**	**67.1**
Finance expense	(2.5)	0.4	–	**(2.1)**	**(2.3)**
Profit before tax	58.2	–	4.3	**62.5**	**64.8**

The prior year comparative figures have not been restated on adoption of IFRS 16. The above table is presented to allow comparison on a like-for-like basis. The adoption of the standard from 1 January 2019 has resulted in no net impact in profit before tax in the period.

The final dividend will be paid on 9 July 2020 to shareholders on the register at 19 June 2020.

CASH FLOW

The Group continues to be highly cash generative. Operating cash flow, stated before the impact of IFRS 16 and exceptional items, was £58.6m (2018: £79.8m) which represents a cash conversion of 71% (2018: 91%) (defined as operating cash flow less capex, excluding spend on the Desford project, divided by operating profit). We have removed the capital spend related to the Desford project from this KPI as this is a long-term project which will generate cash flows over a period in excess of 30 years.

Capital expenditure totalled £24.3m with £14.4m of this related to strategic projects being the Desford expansion and the project to upgrade the Newbury aircrete facility to utilise conditioned ash.

Working capital increased by £17.2m in the year, primarily as a result of an inventory build of £10.4m. Given that brick inventories were previously close to historically low levels that we considered unsustainable in the longer term, this increase in inventory leaves the Group better placed to meet future demand whilst retaining the high levels of service our customers expect. We manage inventory carefully and optimise production such that levels remain balanced to demand. In late 2019, we announced some restructuring within our brick business, which during 2020, will see a re-alignment of production to demand. Overall, this will not have a significant impact on the Group's total output as the production decline at one facility will be met by an increase at another. The costs of this restructuring exercise have been included as an exceptional item in the period.

Cash collections from customers remained strong. Debtor days were 40 compared with 41 in the prior year.

We continued to purchase shares for the Employee Benefit Trust for the purpose of settling awards made under the Group's employee share schemes. A large number of these shares were subsequently utilised in settling the first vesting of the Group's Sharesave scheme and proceeds of £4.9m were received, partially offsetting this outlay.

BUSINESS REVIEW
RESULTS FOR THE YEAR
CONTINUED

CASH FLOW – HIGHLIGHTS

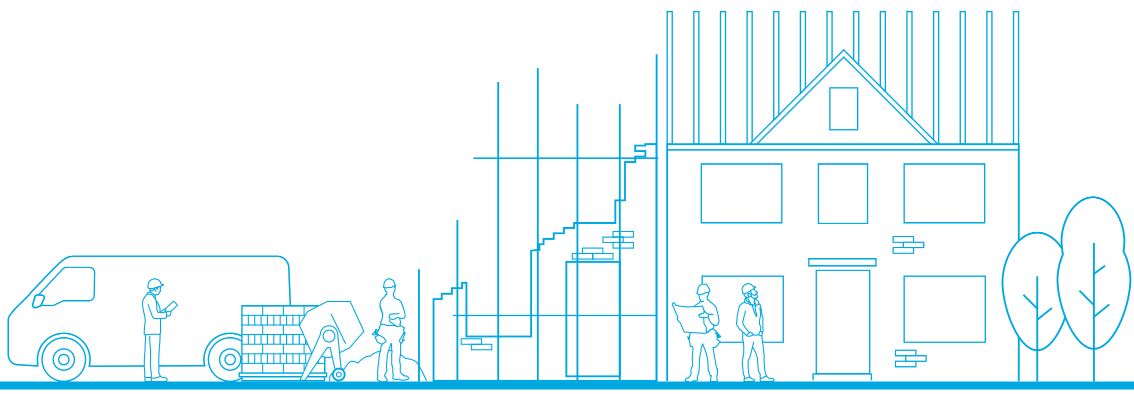
	Statutory 2019 £m	IFRS 16 £m	**Before exceptional items and IFRS 16 2019 £m**	Statutory 2018 £m
Operating cash flow before exceptional items	**64.9**	**(6.3)**	**58.6**	79.8
Payments made on exceptional items	**(1.1)**	**–**	**(1.1)**	–
Cash generated from operations after exceptional items	**63.8**	**(6.3)**	**57.5**	79.8
Interest paid	**(2.4)**	**0.4**	**(2.0)**	(2.2)
Tax paid	**(8.8)**	**–**	**(8.8)**	(11.8)
Capital expenditure:				
– maintenance	**(9.9)**	**–**	**(9.9)**	(8.5)
– strategic	**(14.4)**	**–**	**(14.4)**	(10.1)
Dividends paid	**(22.0)**	**–**	**(22.0)**	(19.3)
Purchase of shares by Employee Benefit Trust (EBT)	**(9.7)**	**–**	**(9.7)**	(6.1)
Proceeds from sale of shares by EBT	**4.9**	**–**	**4.9**	–
Lease liabilities on adoption of IFRS 16	**(14.6)**	**14.6**	**–**	–
New lease liabilities	**(5.4)**	**5.4**	**–**	–
Other movements	**–**	**–**	**–**	0.2
(Increase) / reduction in net debt	**(18.5)**	**14.1**	**(4.4)**	22.0
Debtor days	**40**			41

BORROWINGS AND FACILITIES

Net debt to EBITDA, as stated excluding the impact of IFRS 16 and exceptional items, was 0.6 times (2018: 0.5 times).

The Group's debt facility comprises a committed revolving credit facility (RCF) of £150m extending to July 2022 with a group of major international banks. At 31 December 2019, £80m of the facility was undrawn. There is also an accordion facility of £50m on the same terms as the main facility. The Group continues to operate comfortably within the covenants under this facility.

On adoption of IFRS 16 the Group recognised a liability of £14.6m in respect of leases which had previously been classified as operating leases. This adjustment primarily relates to leased equipment and in particular, heavy goods vehicles where all of the Group's Bricks and Blocks delivery fleet are leased under a range of different agreements, affording the Group the greatest level of flexibility. The Group adopted IFRS 16 from 1 January 2019 and has not restated the 2018 comparatives.



BRICKS AND BLOCKS

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

REVENUE

£279.1M

+0.6%

2018: £277.5m (restated)

EBITDA BEFORE EXCEPTIONAL ITEMS AND IFRS 16

£74.7M

(1.5%)

2018: £75.8m

EBITDA MARGIN

26.8%

(50bps)

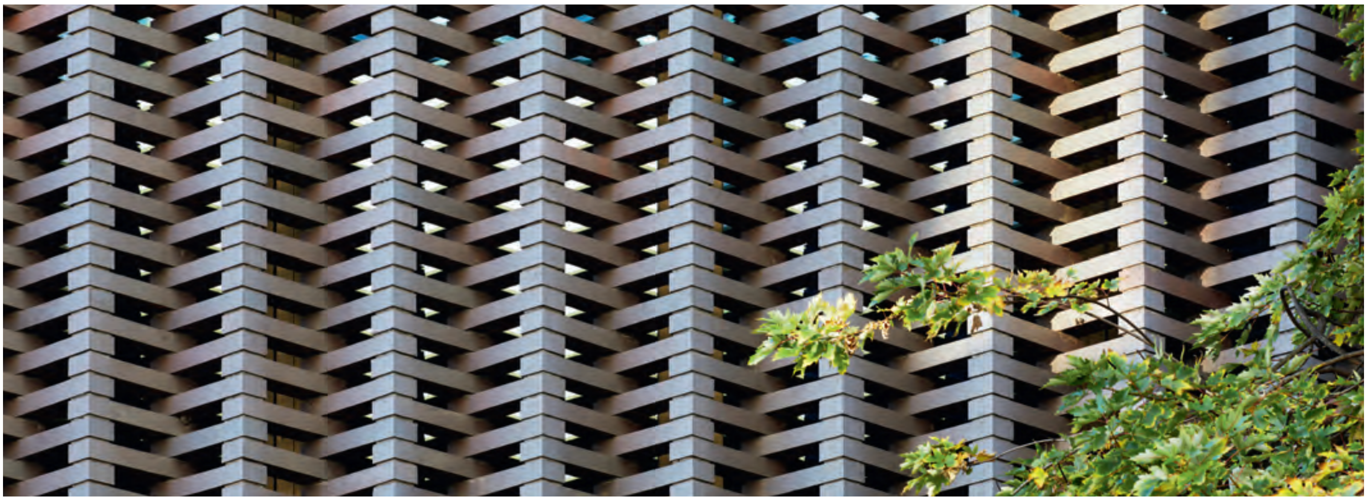
2018: 27.3% (restated)

We have a unique combination of strong market positions in both clay brick and concrete blocks. We are also the only manufacturer of the iconic and original 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 used to match existing brickwork by homeowners carrying out extension or improvement work. We operate nine brick manufacturing facilities across the country with a total production capacity of 590 million bricks per annum. We are also a leader nationally in the aircrete block market, operating from facilities at Newbury and Hams Hall (Warwickshire). Our aggregate blocks product has a leading position in the important South East and East of England markets, with well-located manufacturing facilities at Milton (Oxfordshire) and Whittlesey (Cambridgeshire).

This segment now includes the results of Formpave, the Group's concrete block paving business. Formpave, based at our Coleford site, manufactures a wide range of high-quality concrete block paving to suit all projects from commercial to domestic applications, and including the patented Aquaflow drainage system. Following a management reorganisation under which the business now reports to Bricks and Blocks management, the segmental revenue and results for 2018 have been restated accordingly (see note 4 to the Consolidated Financial Statements).

Revenue remained broadly stable, increasing by 0.6% compared to 2018. Selling price increases in the year broadly offset the impact of the decline in sales volumes. 2019 brick despatches as reported by the Department for Business, Energy and Industrial Strategy fell 3% relative to the prior year and our own brick sales volumes followed a consistent trend. Aircrete and aggregate block volumes fell by greater percentages driven by a competitive market characterised by a degree of under-utilised capacity and higher inventories, which are not replicated in the brick industry.

BUSINESS REVIEW
BRICKS AND BLOCKS
CONTINUED



During the year we saw an increase in energy costs of approximately 9%. In addition, we supplemented our PFA supplies with more expensive imported materials to ensure continuity of production. With the equipment to utilise conditioned ash now installed at both facilities, and supplies of conditioned ash secured in the short to medium term, we expect to be able to mitigate some of this cost going forward.

Formpave had a challenging year, primarily due to a number of operational issues. Changes to management will enable the business to respond better to these challenges and drive an improvement in operational efficiency.

EBITDA as stated before the impact of IFRS 16 and exceptional items of £74.7m, a decrease of £1.1m compared with 2018 (£75.8m), with the EBITDA margin of 26.8% remaining broadly consistent with the prior year (2018: 27.3%).

Brick production increased 4% compared with the prior year. Our soft mud facility at Measham achieved record annual production of more than 100 million bricks, reflecting our focus on continuous improvement. We also increased production at our Wilnecote facility with the addition of an extra shift, and, following the outage associated with the kiln during 2018, production at Desford increased in 2019, although operating this ageing factory alongside the adjacent construction site remains a challenge. Repair and maintenance costs were broadly in line with prior year and reflect the ongoing maintenance programme designed to enable our facilities to continue operating at near full capacity.

During the year £12.9m was invested in the construction of the new Desford brick manufacturing facility, including the purchasing of mineral rights which will secure the supply of clay to the plant for a period in excess of 40 years. The total invested in the project up to 31 December 2019 was £14.2m.

In the aircrete business, following the successfully completed project in 2018 to convert the Hams Hall facility to allow the use of conditioned or wet PFA, a similar project was delivered at our Newbury facility in the first half of the year at a cost of £3.7m. This completed a £6.0m investment programme to decouple production at both facilities from coal-fired power generation. Raw material supply still remains a challenge with an element of dry PFA still currently required to manufacture certain products. The Group has secured supplies of conditioned PFA for the short to medium-term and negotiations are continuing to secure further longer-term supplies. The value of this investment however cannot be underestimated. In 2020, the first full year following the conversion of both plants, we expect around 60% of the PFA we consume to be conditioned. Work is also in underway to assess the feasibility of switching to sand supply in the longer-term.

"Brick production increased 4% compared with the prior year. Our soft mud facility at Measham achieved record annual production of more than 100 million bricks, reflecting our focus on continuous improvement."

Stephen Harrison
Chief Executive Officer

We continued to develop our long-term relationships with customers across different channels including housebuilders, builders' merchants and other specialised distributors. Discussions have already commenced with key customers with regard to their purchase product from the new Desford facility when it comes on-line in the second half of 2021.

During the year new product development continued to progress with the recent launch of our next generation brick slip system, SureBrick, demonstrating our commitment to modernising and improving building standards whilst gaining access to the growing market for products which can be used offsite or with modern methods of construction. Lighter than traditional masonry, SureBrick is simple to install with no reliance on traditional brick laying skills.

We also celebrated success at the Brick Development Association's annual Brick Awards, where our projects won three awards for The Interlock and were highly commended for York House. The Interlock, a newly built, five-storey building in London's Fitzrovia, which blends historic and contemporary aesthetics, won the Innovation, Small Housing Development and Architects Choice awards. York House, a 1980s office building in Kings Cross which has recently been transformed into a contemporary, high-specification workspace, was highly commended in the Innovation category.

Delivery of our bricks and blocks is fulfilled by our own fleet of vehicles, supplemented by third party hauliers. During the year we implemented a system which deploys the latest technology in the planning and execution of our distribution operations. Whilst allowing us to drive greater efficiency in distribution, this system will also deliver a number of benefits to customers, including sign-on-glass technology. Our commitment to customer service was demonstrated by our further increase in our distribution fleet, which takes our fleet to over 150 vehicles, all of which are equipped with mechanical offload capabilities.

BUSINESS REVIEW
BESPOKE PRODUCTS

The Bespoke Products segment focuses on specification-led, made-to-order products comprising both precast concrete and chimney and roofing solutions, much of which is customised to meet the customer's specific needs. The Formpave business has been removed from this segment and the comparatives restated accordingly.

Segmental revenue grew by 12.3% to £103.5m due to an increase in revenue generated by the Bison Precast business. EBITDA before the impact of IFRS 16 and exceptional items fell by £1.3m to £1.7m (2018: £3.0m). The EBITDA contributed by both the Bison and Red Bank businesses was lower than the prior year with the reduction in the segmental result being equally attributable to both businesses.

Precast concrete products are designed, manufactured and shipped nationwide under the Bison Precast brand from our Swadlincote, Hoveringham and Somercotes facilities in the Midlands. Our products include:

- hollowcore floors and associated staircases and landings which are used for upper floors of multi-family and commercial developments, with the majority of floors fitted by our in-house installations team;
- beam and block flooring including Jetfloor, which was the UK's first system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation;
- structural precast components including precast concrete walls used in applications such as hotels and prisons, and concrete beams used in the construction of building frames as well as stadia components; and
- architectural precast concrete facades, a new addition to our range and available in a variety of finishes including brick facings.

We are encouraged by the strategic progress made by the Bison business during the year with revenue increasing by 13.8%, enabled by improvements in productivity and the launch of new products. Challenging and competitive market conditions however impacted margins, with the pricing dynamic in this sector being particularly competitive limiting our ability to recover cost inflation.

During the year we conducted a comprehensive reappraisal of the UK precast concrete market. Our research points to a decline in industry margins over recent years, although we remain hopeful that increased Government infrastructure spending, specifically on HS2, along with continued growth in demand for fire safe products suitable for offsite construction, will benefit margins going forward.

We presently hold a leading position in the flooring segment of the market and our strategy is to grow our offering in the higher complexity façade systems segment of the market where margins are higher. In the course of the last year, we made significant progress on this

REVENUE

£103.5M

+12.3%

2018: £92.2m (restated)

EBITDA BEFORE EXCEPTIONAL ITEMS AND IFRS 16

£1.7M

(43.3%)

2018: £3.0m

EBITDA MARGIN

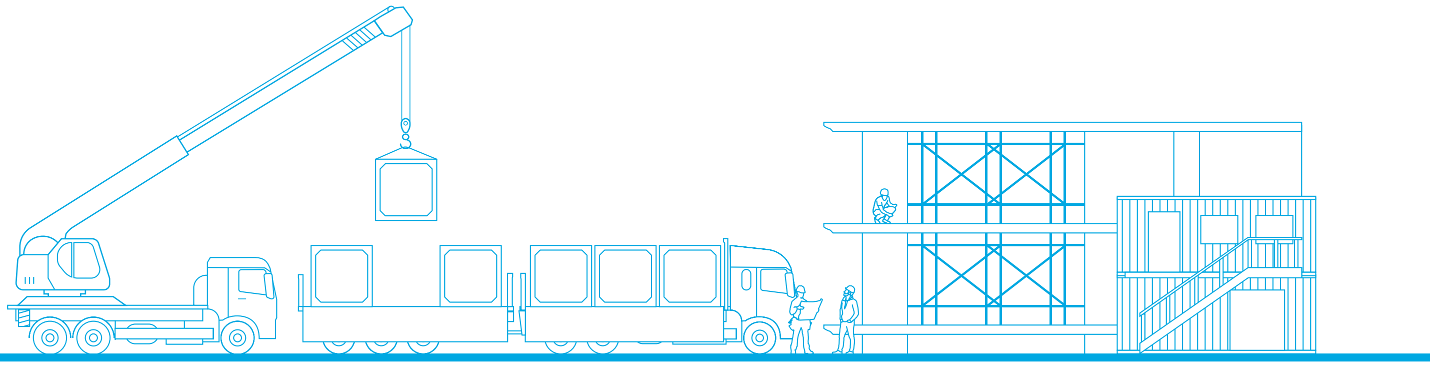
1.6%

(170bps)

2018: 3.3% (restated)

"We presently hold a leading position in the flooring segment of the market and our strategy is to grow our offering in the higher complexity façade systems segment of the market where margins are higher."

Stephen Harrison
Chief Executive Officer



front. Our Somercotes facility has been transformed from a factory producing commoditised grey concrete products, such as culverts and retaining walls, to a specialist facility focusing on architectural and brick-faced walling panels.

We are pleased to have secured two major contracts to supply our new range of products. We were awarded a substantial contract to supply almost five thousand precast components to the new prison being built in Wellingborough for the Ministry of Justice. Deliveries are ongoing to both the house blocks and the entry building. The latter includes the first insulated brick-faced sandwich panels manufactured by Bison Precast and feature the Forterra Village Golden Thatch brick. In addition to the Wellingborough project, Bison Precast is manufacturing brick-faced components for a multi-storey car park in Nottingham. Both projects mark the business's move into the precast façades market.

We remain on a learning curve in developing new products and taking them to market. As we gain experience in façades, we expect our efficiency to improve and the margins we can earn from these products to increase.

Also included in our Bespoke Products segment is our Red Bank business. Red Bank manufactures from a facility alongside our Measham brick facility, producing a wide range of chimney, roofing and flue systems.

Following strong results in recent years, Red Bank experienced a more difficult year in 2019. Many of Red Bank's products are niche in their nature and sold to builders' merchants for use in the RM&I sector, often on older and listed buildings. As covered earlier in the review, the RM&I market was more challenging throughout 2019 and with Red Bank highly reliant on this sector, its result suffered accordingly. Research and development continues with a view to identifying new products which are relevant to the construction industry of today and will capitalise on the skills, experience and history offered by Red Bank.

BUSINESS REVIEW
OTHER FINANCIAL INFORMATION

EPS BEFORE EXCEPTIONAL ITEMS

25.6P

(3.4%)

2018: 26.5p

DIVIDEND PER SHARE

11.5P

+9.5%

2018: 10.5p

EXCEPTIONAL ITEMS

We incurred exceptional expenses of £4.3m in 2019. £3.6m of this relates to restructuring, of which the largest element relates to our Fletton brick facility near Peterborough where we announced plans to reduce the workforce by approximately 50 individuals. The unique Fletton manufacturing process by its nature requires step changes in manufacturing output with it being inefficient to make small adjustments to output. Over the last few years London Brick production has exceeded sales and this adjustment is now required to ensure inventory and working capital remains tightly controlled whilst retaining the flexibility to increase production in the future. At the same time, we are making changes to increase production at other brick facilities such that the overall change to our brick production will be negligible.

In addition to restructuring costs, exceptional costs totalling £0.7m were also incurred in respect of an acquisition which was not completed.

FINANCE COSTS

Finance costs for 2019, as stated before the impact of IFRS 16, were £2.1m (2018: £2.3m). Net debt excluding the impact of IFRS 16 remains comfortably below the one times EBITDA threshold meaning that the interest charged on our RCF facility remains at the lowest band of the grid under the credit agreement.

TAXATION

The effective tax rate (ETR) was 19.5% (ETR excluding exceptional costs was 19.3%) compared with 18.5% in 2018. The ETR is higher than the UK statutory rate of 19.0% (2018: 19.0%) due to permanent adjustments for non-deductible items such as depreciation on non-qualifying assets. The 2018 ETR was lower than the UK statutory rate of corporation tax due to the release of an uncertain tax provision.

PENSIONS

The Group has no defined benefit pension liabilities. There is a defined contribution arrangement in place and pension costs for the year amounted to £6.1m (2018: £5.8m).

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

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

10 March 2020

STAKEHOLDER PARTNERSHIPS

By engaging regularly across our range of stakeholders, we ensure that strong relationships are built and maintained. These relationships are core in progressing towards our strategic goals.

CUSTOMERS
PAGE 30

COMMUNITY
PAGE 31

PEOPLE
PAGE 32

SUPPLIERS
PAGE 36

SHAREHOLDERS
PAGE 37

ENVIRONMENT
PAGE 38

STAKEHOLDER PARTNERSHIPS
CUSTOMERS

CUSTOMERS OVERVIEW

Our customers are essential to our business and developing to continue to meet their needs is core to our success

LINK TO VALUES

- Customer focus
- Trusted to deliver

The effect of our regard towards our customers in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

We have a long-standing loyal customer base across our target sectors and value their continued business. To retain this loyalty a positive customer experience is critical and is the focus of one of our five core values.

Customer satisfaction has been independently measured during the year and we continually act upon the feedback received.

DELIVERY RELIABILITY

Our sales and operational planning process has been improved to increase delivery reliability and improve stock management.

PROVEN QUALITY

We have restructured our quality function, with an increased focus on quality assurance and less dependence on quality control.

EASE OF DEALING

We have made Forterra easier to trade with by having longer opening hours in our customer service centre and training employees to be skilled across multiple product lines.

AGILITY

We have improved availability of fast-moving stock items and strengthened our distribution fleet to provide total delivery flexibility.

IMPROVED ADMINISTRATION

The introduction of our fleet management system has allowed us to provide advanced automatic customer notifications of imminent deliveries as well as the capability to provide an electronic proof of delivery document.

A FOCUS ON RANGE

Customer insight interviews also highlighted a customer desire to see a broader brick range. In response, the resource and focus on new product development has been significantly increased resulting in new bricks being developed, tested and approved and these will be available during 2020. These include waterstruck bricks from our Measham factory. This is the first time we have produced this product which gives us access to a segment of the brick market we have not previously been able to reach. New bricks have also been launched from Accrington and Claughton further expanding the customer choice into the targeted new build market.

CUSTOMER SATISFACTION

7.6/10*

*Brick and Block

STAKEHOLDER PARTNERSHIPS
COMMUNITY

COMMUNITY OVERVIEW

We believe in putting communities at the heart of everything we set out to achieve

LINK TO VALUES

- People matter
- Trusted to deliver

The effect of our regard towards the community we impact in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

Our long heritage and successes are related to building and sustaining close relationships with the communities local to our operations over a number of years, whether this be through providing employment or making positive contributions in other ways.

Our operations can at times have an impact on those living and working nearby, we listen carefully to the feedback of our neighbours through formal community liaison arrangements to ensure that we have the lowest possible impact on those that live around us.

As well as providing materials to build and renew communities, we recognise that we have an important role to play within the wider community and are passionate about providing support to many good causes within our local communities; through a mixture of fundraising, sponsorships, donations and voluntary activities.

Taking the time to gain an understanding of local initiatives and what we can do to make a positive impact is very important to us. In 2019, we continued to support employee fundraising, charities and organisations that are closely aligned to our business values, with a number of local and international events, as well as focussing on those which could impact the health and welfare of our employees, their families and friends.

FOCUS ON OUR HERITAGE

2019 was a year of celebration for both RedBank and Bison as we recognised a centenary of manufacturing at both our sites in Measham and Swadlincote. We take great pride in our heritage and welcomed members of the local community and to celebrate with us these significant achievements.

STAKEHOLDER PARTNERSHIPS PEOPLE

PEOPLE OVERVIEW

We aim to create an engaging workplace that attracts and retains successful people

LINK TO VALUES

- People matter
- Safety first

The effect of our regard towards our people in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

EQUALITY AND DIVERSITY

As an employer of over 1,900 people, we are committed to creating and supporting a truly inclusive working environment with opportunities for all. As part of this commitment we take steps to continually review and improve our business in this respect. Diversity helps our business to grow and succeed.

People are vital to the continuity, growth and success of our organisation and we work to ensure that our equal opportunities policy is applied at every stage of candidate attraction, recruitment and selection. The shortlisting, interviewing and selection of candidates is always conducted without regard to gender, sexual orientation, marital status, race, nationality, religion or belief, disability, age, pregnancy/maternity leave or trade union membership.

Wherever practicable we make adjustments and offer suitable training to ensure disabled employees are not disadvantaged in the workplace. This forms part of our commitment to ensuring Forterra is a company where discriminatory practices and behaviours are eliminated.

We are resolute in acting ethically and with integrity in all our business dealings and relationships. We implement and enforce effective systems and controls to ensure modern slavery does not take place anywhere in our own business or within our supply chain. The charts opposite show our headline gender diversity statistics. Gender pay reporting is contained in the Annual Report on Remuneration.

HUMAN RIGHTS

We are aware of our obligations under the Human Rights Act and seeks to act accordingly in all aspects of our operations. In addition, the Group has policies and procedures in place covering whistleblowing, anti-bribery and corruption.

The Board values and appreciates the contribution made by all employees at every level and is committed to protecting and respecting human rights. Each employee is treated fairly and equally and the Company has measures in place to ensure that the Group is free from discrimination. Throughout the Group there is a zero-tolerance approach to any form of harassment or bullying; forced or involuntary labour; and child labour in any form. The Board is invested in the development of employees and has put in place measures to protect both their physical and mental wellbeing. The Group embeds its commitments to the protection of human rights through its Human Rights Policy.

ADVANCED ENGINEERING APPRENTICESHIP SCHEME

During 2019 we recruited a further nine apprentices onto our multi-skilled mechanical and electrical engineer pathway, taking the four-year scheme to a total of 28 apprentices. On completing the programme, apprentices graduate with an NVQ Level 3 Certificate, a BTEC Diploma in Advanced Manufacturing Engineering, and an HNC Qualification.

Apprentices have also been recruited into Human Resources, Information Technology, and our Commercial function.

GRADUATES

Our graduate scheme grows year-on-year and is structured in way to develop leaders with the right skills to support the future. A further three university leavers joined our Operations Management Graduate Scheme in 2019.

LEARNING AND TALENT

To facilitate effective succession planning and talent development we continued to offer personal and professional career development to our employees during 2019 to enable them to fully contribute to Forterra and reach their potential.

As part of our leadership development framework we continued to build on the success of Forterra's bespoke leadership programme during 2019 to closely align it with our strategic drivers, core values and the behaviours that underpin them.

EMPLOYEE ENGAGEMENT

We are committed to taking care of our people, providing good, safe working conditions and fair pay, and supporting them in their personal and career development. We are dedicated to attracting, developing and retaining the best talent and driving high levels of motivated and engaged colleagues.

We use a range of channels across the business to ensure that the voice of our colleagues is heard.

We keep our people informed about company results, major business decisions and the things that really matter to them through internal media, newsletters and functional and business updates.

We facilitate an Employee Forum that meets three times a year to discuss subject matters raised by our colleagues to their Forum Representatives. To ensure compliance with the UK Corporate Governance code, Martin Sutherland has taken the role of the designated Non-Executive Director on Employee Engagement. Martin has joined the Employee Forum and provides feedback to the Board from those meetings.

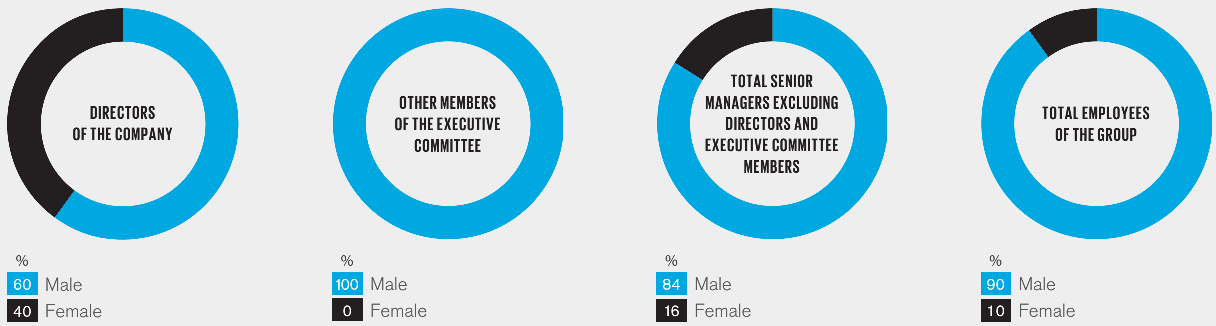
A considerable proportion of our workforce is represented by trades unions and employee representatives, and we strive to foster positive working relationships with them. The Bricks Joint Negotiating Committee represents colleagues at most of our brick facilities and meets with the brick management team four times a year. Local bodies are in place at all sites to ensure we maintain strong working relationships with all colleagues.

Our Chief Executive, Stephen Harrison, conducts annual employee briefings each spring where he visits all operational sites to update colleagues on company performance and converse on subject matters of their choice.

Employees are encouraged to participate in the success of the Group. The Group currently operates a Sharesave plan (SAYE) under which over half of the Group's employees participated during the year, and a Share Incentive Plan under which free shares were granted to all employees working in the business at the time of the IPO in 2016.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

GENDER DIVERSITY



STAKEHOLDER PARTNERSHIPS
PEOPLE
CONTINUED

COMMITMENT TO HEALTH AND SAFETY

Improving our occupational safety, health and wellbeing standards and performance is an ongoing commitment, working towards our goal of zero harm. We recognise that our workforce is our greatest asset and aim to provide a working environment that is free of accidents and ill health. To achieve this, we strive to ensure that all relevant legislation and codes of practice are complied with and regularly monitor leading and lagging performance indicators.

We launched our Golden Rules at the start of 2019, requirements we felt were so important that they should never be broken. Every colleague in the business was asked to sign their commitment to work to them and encourage others to do the same. They formed the basis of our objectives for the year, with three further topics covered to embed the rules and improve risk controls. These were a full review of workplace transport, the operation of our near-miss and hazard spotting process and a safety impact film. This film involved one of our colleagues who had been involved in a serious accident in 2018 and the impact it had had on him and his family, which gave a powerful message that health and safety is about people, not statistics.

In 2019, we maintained our high level of auditing to ensure compliance to legal and other requirements. We successfully retained our OHSAS 18001 certification, an independent verification of our health and safety systems and their implementation, adding our distribution function to the certification process to increase the scope of coverage still further. In 2020 we will move to the new ISO45001 standard.

Throughout 2019 we continued our commitment to operational safety tours of our sites, with each Director completing two planned visits, alongside the Executive Committee attending sites unannounced. We focused these tours around the newly launched Golden Rules, talking with colleagues on risks present in the workplace. A robust action tracker is in place that ensure identified actions are publicised and seen through to completion and outputs of the tours are a regular discussion point at meetings of the Risk Committee.

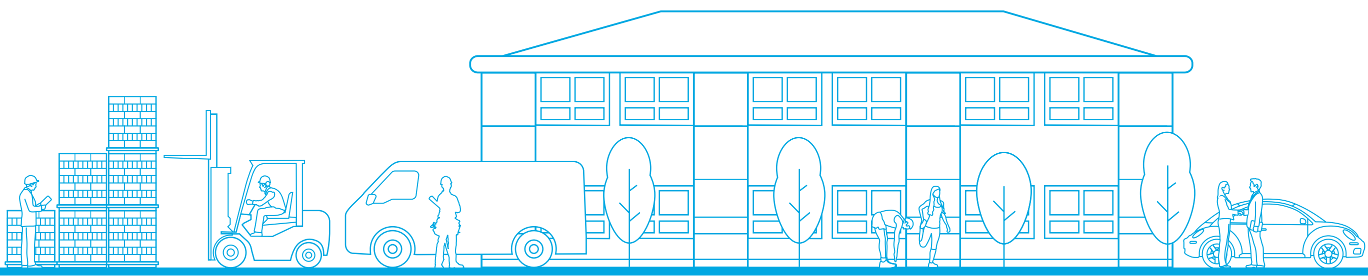
We held a national safety, health and wellbeing event in June at our Measham facility, with colleagues from across the business coming together to participate in workshops designed to increase awareness of current health and safety issues. The day included hazard spotting, personal protective equipment awareness, a mental health workshop, workplace transport and vehicle risk awareness and a presentation from our legal advisors on the impacts of an accident.

HEALTH

2019 saw us make significant strides forward on health and wellbeing, reflecting the importance we attach to our employees and improving the support we provide them. We held workshops for our managers on mental health awareness to allow them to support colleagues should the need ever arise. We continued to promote our employee assistance program, through presentations, posters, leaflets and at our health and safety events and as a result, we have seen the utilisation of this service more than double. In September we participated in World Heart Day, providing awareness leaflets and free fruit to all colleagues. We will continue this journey into 2020 reflecting the importance we place on the health and wellbeing of our workforce.

Further work was conducted on the reduction of dust emissions within factory environments to eliminate at source, provide better containment, improved cleaning facilities and as a last resort, improved personal protective equipment. Forterra also contributed significantly to the industry forum on silica dusts and the need for collaboration to reduce risks further throughout our industry.

At our Kings Dyke facility we trialled an alternative physiotherapy provision, to facilitate pro-active support and interventions to deal with muscular-skeletal issues. This allowed colleagues to access treatment before symptoms resulted in pain or absence. This was conducted alongside the provision of an exercise and warm up room, to ensure colleagues can prepare themselves for manual work.



SAFETY

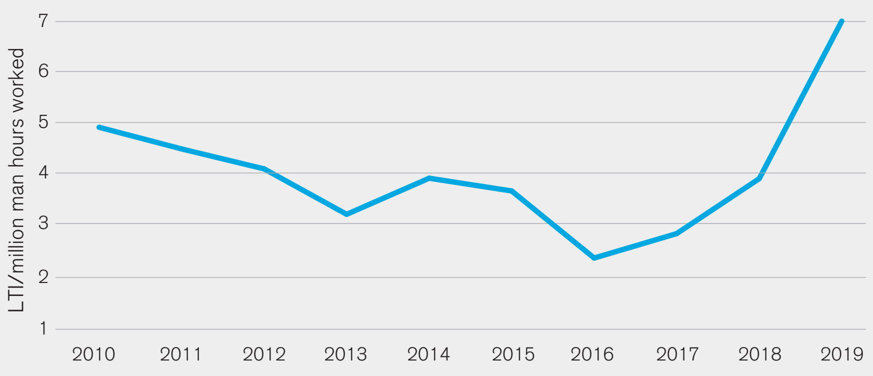
Throughout 2019 we strived to identify and reduce risk further throughout the business. Specific focus was given to safe isolation of equipment, to reverify and communicate that robust isolation is critical to everybody's wellbeing. These requirements were incorporated in training on revised standard operating procedures to affected colleagues. High risk tasks performed by our colleagues and contractors may require a permit to work to be issued and the whole permitting system was overhauled to improve our high hazard controls. Workplace transport was a specific topic reflecting that incidents involving vehicles can result in significant harm. Risk assessments were reviewed, and enhanced controls implemented or planned where necessary.

Our Lost Time Incident Frequency Rate (LTIFR) was 7.1 incidents for every million hours worked in 2019 which regrettably is an increase compared to the previous year. Many of these incidents were of a less significant nature and did not result in a prolonged absence from work.

INDEPENDENT HEALTH & SAFETY REVIEW

The Risk Committee requested in September 2019 that an independent review of health and safety was conducted. An independent consultant was appointed in November to conduct the review to a defined brief, which was completed in February 2020. The review covered not only our processes and procedures but also our culture and how we engage and interact with our workforce when it comes to safety. Responding to this review and implementing its recommendations will be our key safety priority in 2020.

LOST TIME INCIDENT FREQUENCY RATE



TRAINING

We continued our training commitment to ensure health and safety competence. 75 members of our management team were provided with specific training to re-emphasise our commitment to visible safety leadership. We continued to train operational management to the NEBOSH General Certificate standard and provide our supervisors with the Institute of Occupational Safety and Health (IOSH) Managing Safely course. Operational staff are required to complete the IOSH Working Safely course and we focused efforts in the enhancement of standard operating procedures for all tasks.

RECOGNITION AWARDS

Forterra received 10 awards at the British Ceramic Confederation Awards 2019, which recognise best practice and award innovation among the Confederation's members. In addition, one colleague was recognised by the industry for their individual contribution to improved health and safety.

PROSTATE CANCER UK

Forterra continues to support Prostate Cancer UK as part of its ongoing health, safety and wellbeing strategy. The charity represents a similar demographic to a large part of our workforce and has a simple ambition – to stop men dying from prostate cancer.

STAKEHOLDER PARTNERSHIPS
SUPPLIERS

SUPPLIERS OVERVIEW

Working collaboratively with our supply partners we ensure value is delivered throughout our supply chain

LINK TO VALUES

- Trusted to deliver
- Driving improvement

The effect of our regard towards our suppliers in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

Our suppliers are key to our success, with our annual spend on raw materials, goods and services exceeding £140 million.

Investment in recent years has been targeted to develop a group procurement function, whilst simultaneously maintaining procurement capability at site level where the requirements can be unique to a process or operation. This approach has ensured the positive balance of delivering value through group procurement synergy whilst also obtaining best value at a local level.

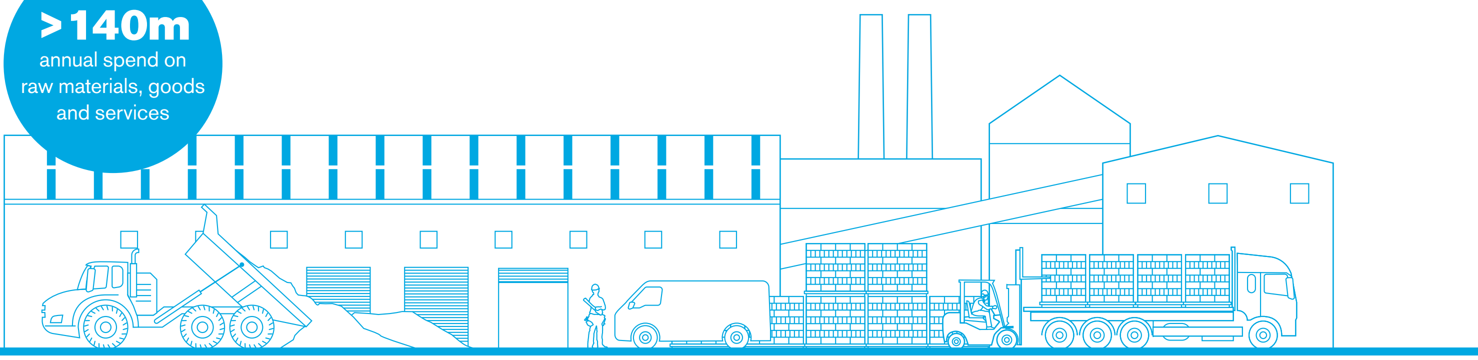
Forterra has developed its own supplier management and prequalification software to enable this; ensuring all suppliers are risk assessed in the key areas of safety, quality, ethics and environment. Over 85% of total supply chain spend is now administered through this system of qualified suppliers.

Our procurement team are either 'Chartered Institute for Procurement and Supply Chain' qualified or being funded by the Company in working towards the qualification. This approach ensures a best practice approach to managing our supply chain.

In 2019 the scope of supply chain management was further enhanced through the recruitment of a supplier quality engineer. Working together with our procurement team, this further strengthens our foundation to drive supplier development and capture the benefits of supplier innovation.

By taking automotive procurement best practice as our benchmark, we continue to develop a differentiated approach in how we engage with our supply partners.

>140m
annual spend on raw materials, goods and services



STAKEHOLDER PARTNERSHIPS
SHAREHOLDERS

SHAREHOLDERS OVERVIEW

The core of our strategy is to create sustainable shareholder value

LINK TO VALUES

- Safety first
- People matter
- Customer focus
- Trusted to deliver
- Driving improvement

The effect of our regard towards our shareholders in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

INVESTOR ENGAGEMENT

To assist in the delivery of our strategy of delivering sustainable value for our shareholders, it is pivotal that we engage with shareholders and ensure alignment of the long-term direction of the business.

This engagement takes a number of forms and our Chief Executive Officer and Chief Financial Officer meet regularly with both investors and analysts through an investor relations program than spans the calendar.

DIVIDEND

We aim to maintain a progressive dividend policy enabled through growth driven by our experienced management team.

JAN 19
- Trading update

MAR 19
- Full year results presentation
- Investor roadshows (London and Edinburgh)
- Sales desk briefings

MAY 19
- Investor site visit to our Hams Hall facility
- AGM trading update

AUG 19
- Interim results presentation
- Investor roadshows (London and Edinburgh)

OCT 19
- Trading update

DEC 19
- Chairman's shareholder meetings

STAKEHOLDER PARTNERSHIPS ENVIRONMENT

ENVIRONMENT OVERVIEW

As a responsible manufacturer we are committed to doing business in a sustainable way

LINK TO VALUES

- Trusted to deliver
- Driving improvement

The effect of our regard towards the environment, social and community matters in relation to the decisions taken during the financial year is included in our s172(1) Statement on page 86.

The profile of sustainability has grown significantly in recent years and this is underlined by the Government's commitment to net zero carbon by 2050. We understand the contribution our products can make to delivering a sustainable built environment and the potential impact our production processes can have on the environment if we don't manage them in responsible manner.

OUR MANAGEMENT SYSTEMS

ISO 9001
Quality Management

ISO 14001
Environmental Management

BS OHSAS 18001
Health and Safety Management

ISO 50001
Energy Management

BES 6001
Responsible Sourcing of Construction Products

We have embedded a series of recognised management systems within our business to provide us with a framework within which to operate our sites and give our stakeholders confidence that we are protecting our people, the environment and our resource through independent third-party audits.

Certificates for our management systems are available on our website.

We set a series of environmental targets to demonstrate continual improvement to support our ISO14001 certification.

These targets run from 2010 through to 2020, are stated on a relative basis (per tonne of product produced) and are summarised below. Each of our sites has developed a management programme to deliver these improvements and the progress to date is outlined in the table on the right.

As we enter the final year of this programme, we are pleased to report that we have already achieved three of our four targets. We will be defining new stretching targets in the current year.

OUR TARGETS 2010–2020

	Change since 2010	Change since 2018
Reduce Energy Use – Kwh per tonne by 10%	(3.9%)	0.3%
Reduce Carbon Emissions – Kg per tonne by 10%	(17.8%)	(2.5%)
Reduce our Waste to Landfill – Kg per tonne by 85%	(91.6%)	(59.0%)
Reduce our Mains Water Consumption – Litres per tonne by 25%	(41.9%)	(11.1%)

A SUSTAINABLE FUTURE

We are formulating our long-term sustainability strategy focusing on actions in areas where our business can make a difference. One of the first steps on this journey was to use the UN Sustainable Development Goals to underpin our long-term ambitions around three areas of sustainability.

Focus	How	Link to value	Link to UN Sustainability goals
People	Our priorities are the safety, health and wellbeing of our employees and the elimination of accidents, making sure that anyone who works or visits one of our sites goes home unharmed. We also want to ensure Forterra is a great place to work by providing best in class training and opportunities for development, inclusion, and progression within the business. We want to be an asset to and support the local economy and communities where we operate.	▪ Safety first ▪ People matter	
Planet	We want to strive to continue a responsible business ensuring that we operate in the most resource efficient manner possible, minimising waste and helping the UK achieve its target of net zero carbon through the provision of building materials to provide quality, energy efficient homes.	▪ Trusted to deliver ▪ Driving improvement	
Products	We provide essential building products which last for generations. Where possible we will produce our products in a resource efficient manner through the use of recycled or alternative materials and modern manufacturing techniques. We will ensure that the correct advice is readily available so that our products can be easily recycled at the end of life.	▪ Customer focus ▪ Trusted to deliver ▪ Driving improvement	

FOCUS ON SINGLE USE PLASTIC

Plastic is a versatile material and is currently the principal material used in the packaging of our products. We understand that single use plastic is a global issue and we all need to take responsibility for how we use, recycle and dispose of this material. We will be carrying out a full review of or packaging needs whilst still meeting the basic requirements of ensuring that our products are delivered in a safe manner to our customers with no damage and ready for use.

To guide this review we have developed a five point plan within which we will ensure that all packaging is recyclable and look at any potential obstacles to its recycling. We will also eliminate unnecessary or problematic packaging as well as identifying opportunities to increase the use of recycled content and alternative packaging materials or techniques.

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_2e 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 below).

	2019	2018	Units
Scope 1	**298,819**	289,274	tonnes of CO_2e
Scope 2	**19,623**	20,833	tonnes of CO_2e
Intensity Ratio	**0.123**	0.125	tonnes of CO_2e per tonne of product

RISK MANAGEMENT AND KEY RISKS
RISK MANAGEMENT FRAMEWORK

OVERVIEW

Effective risk management is critical to us successfully meeting our strategic objectives and delivering long-term value to our shareholders. Instilling a risk management culture at the core of everything we do continues to be a key priority. Our Risk Management policy is critical to this and has been developed to capture our risk management strategy, processes, reporting measures, internal reporting lines and responsibilities. By developing this we continue to increase awareness of risk management, encourage further efforts to embed controls and ensure a greater level of consistency across the Group. In summary, our risk management objectives are to:

- embed risk management into our management culture;
- develop plans and make decisions that are supported by an understanding of risk and opportunity; and
- anticipate change and respond appropriately.

In the year Management made progress in formalising and better documenting some of the procedures that have been put in place in recent years and continuing to ensure that these documented procedures reflect what is happening throughout the business.

REGULAR UPDATES

The Board's Risk Committee met four times during the year to review the key risks facing the business and they received updates from Management to facilitate this. Management continued to meet as a Risk Steering Group through 2019, ensuring that sound risk management practices are established, operated consistently and that the results from increased investment in risk management are evidenced in critical risk areas. Management have also continued to set the tone from the top; continuing to promote the risk management culture by:

- taking responsibility for the risks associated with their own business areas; and
- regularly and consistently challenging all levels of the business to identify risks and take appropriate steps to mitigate these.

KEY RISKS

Key risks are determined by applying a standard methodology to all risks which considers the potential impact and likelihood of a risk event occurring before considering the mitigating actions in place and the severity and likelihood of risk that remains. This is a robust but straightforward system for identifying, assessing and managing key risks in a consistent and appropriate manner.

Management of key risks is an ongoing process. Many of the key risks that are identified and monitored evolve and new risks regularly emerge.

The foundations of the internal control system are the first line controls in place across all our operations. This first line of control is evidenced through monthly manager self-assessments and review controls are scheduled to recur frequently and regularly. Policies, procedures and frameworks in areas such as health and safety, compliance, quality, IT, risk management and security represent the second line of controls and internal audit activities represent the third line of controls.

BREXIT RISK

The UK's decision to exit the European Union created significant uncertainty for the Group and stakeholders. This uncertainty existed throughout 2019 and continued to evolve and change; this meant that significant time and resource had to be invested in repeatedly mitigating this risk. The General election at the end of 2019 and signing of the withdrawal agreement in early 2020 gives some greater clarity in the short-term, but with future arrangements not fully finalised, the business will continue to monitor risk closely and put procedures in place to mitigate risks where possible.

The 'Brexit risk' is inherent within many of the key risks that the Board regularly reviews. The main risk to the business arises from a reduction in consumer confidence and its effect on the markets which the Group serves. In these areas we cannot fully control the risk through management actions, though we can mitigate the impact. Our focus is therefore to stay close to our customers, industry associations and advisors to ensure that we are up-to-date with developments and equipped to respond.

At the balance sheet date, the Group was still holding higher levels of raw material and critical spares, having built these ahead of the departures dates that had been proposed in 2019. Forward purchasing of this nature has been critical to mitigating the Brexit risk on the supply chain. These measures ensured the availability of materials, similar measures were taken to secure prices, using forward purchase contracts for budgeted energy and foreign currency requirements. Key mitigating activities in other areas ensured cash flow was closely managed, access to sufficient undrawn debt facilities was retained and market trends were being continually tracked using leading and lagging indicators.

RISK APPETITE

The Group's risk appetite reflects that effective risk management requires risk and reward to be suitably balanced. Exposure to health and safety, financial and compliance risks are mitigated as far as is reasonably practicable.

The Group is however prepared to take certain strategic, commercial and operational risks in pursuit of its objectives; where these risks and the potential benefits have been fully understood and reasonable mitigating actions have been taken.

RESPONSIBILITIES AND ACTIVITIES

Top down

Bottom up

BOARD OF DIRECTORS

The Board (through the Risk Committee and Audit Committee) have:

- Received updates from management on specific key risks
- Regularly visited Group facilities to undertake Director's safety walks
- Continued to review progress against risk management actions and internal control priorities
- Considered the effectiveness of the risk management and internal control environment
- Regularly reviewed all principal risks, heat maps and emerging risks
- Reviewed and re-approved the Group risk appetite

EXECUTIVE COMMITTEE

The Executive Directors and the Risk Steering Group have:

- Met frequently to discuss the risk environment, Group risk management activity, identify risks and gaps, and appraise likelihood, impact and risk mitigation
- Progressed initiatives that develop our systems of risk management
- Re-assessed risk appetite periodically
- Confirmed risk acceptance, mitigation or transfer of all risks on the Group risk register

RISK AND INTERNAL AUDIT

Risk and Internal Audit have:

- Followed a risk-based internal audit plan
- Co-ordinated risk management activities across the Group and supported risk owners
- Reported the responses of monthly control self-assessments from all operational control owners
- Tracked all internal control improvement activities

OPERATIONAL MANAGEMENT

Operational managers have:

- Taken ownership of local risk registers and the risks within them
- Operated associated controls and undertook mitigating actions
- Completed internal control self-assessments monthly to evidence operational controls are in place
- Escalated risks as appropriate

VIABILITY STATEMENT

In accordance with the provisions of The UK Corporate Governance Code 2018 the Board have assessed the prospects of the Company in order to develop a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due. The Board have reviewed the Company's position and principal risks over a period of three years commencing from the year-end date in order to form this expectation.

The Board believe that this is an appropriate timeframe to consider as it aligns with its strategic and financial planning horizon; notably extending beyond the next expected refinancing and the completion of the major capital project at Desford.

The Board have reviewed the Group's financial forecasts and any consequential future funding requirements against committed external borrowing facilities to confirm ongoing viability. To stress test these financial forecasts the Board have also looked at the quantification of principal risks (such as falling sales volumes or prices and escalating or one-off costs) and their impact on future funding requirements when occurring in tandem. In all scenarios the Directors confirm that they have a reasonable expectation that the Group will continue in operation, meet liabilities as they fall due, will not breach banking covenants within this period, will conclude the development at Desford and refinance on similar terms.

RISK MANAGEMENT AND KEY RISKS

CONTINUED

KEY RISKS AND UNCERTAINTIES

OUR STRATEGIC PRIORITIES ARE:

1. MANUFACTURING EXCELLENCE
2. CORE PRODUCT FOCUS
3. BUSINESS EXPANSION

KEY RISK AND WHY IT IS RELEVANT	YEAR-ON-YEAR CHANGE	KEY MITIGATION, CHANGE AND SPONSOR	RISK APPETITE	RATIONALE FOR RATING	LINK TO STRATEGY
1. HEALTH AND SAFETY Our employees work in manufacturing environments where heavy machinery operates and moving parts are present. Production can also expose employees to noise, dusts and chemicals. As a result there is a risk of serious injury or ill health. Lost Time Incident Frequency Rate (LTIFR) is a critical KPI that is monitored at all levels in the business on an ongoing basis, along with other leading and lagging indicators.	→	Safety remains the Group's number one priority. The Group targets an accident free environment and has a robust policy covering expected levels of performance, responsibilities, communications, controls, reporting, monitoring and review. 2019 saw the launch of 'The Golden Rules'. All employees pledged to comply with these in pursuit of a zero-harm workplace. Further, significant progress was made against a number of our other high-profile objectives. The safety, health and wellbeing of any party involved in the Group's daily business activities is never compromised. Reducing accidents and ill health is critical to strategic success. **Executive sponsor: Stephen Harrison**	Low	The health and safety of any party involved in the Group's daily business activities is never compromised. Reducing accidents and ill health is critical to strategic success.	
2. SUSTAINABILITY The Group previously recognised environmental risks in conjunction with Health and safety risks (above). The mitigating actions were biased towards environmental compliance rather than the long-term sustainability of our business model, recognising the importance of all aspects of sustainability the risk has been separated to ensure that sustainability receives sufficient focus.	↑	Whilst recognising the positive impact that the Group's products have on the built environment across their lifespan, the Group is also undertaking several initiatives to assess the detrimental impact that its existing business model has on the environment and working with stakeholders to revise its model and mitigate any detrimental impacts. Existing sustainability targets run from 2010 through to 2020. As this period comes to an end the Group are taking the opportunity to reassess the current sustainability strategy and link long-term ambitions with the UN Sustainable Development Goals. **Executive sponsor: Stephen Harrison**	Low	Our products are typically made from natural materials, are long-lasting, durable, high quality, thermally efficient and maintenance free. However, our manufacturing, transportation and packaging processes present opportunities for improvement.	
3. ECONOMIC CONDITIONS Demand for the Group's products is closely correlated with residential and commercial construction activities. These markets decline if general economic conditions decline and the Group experienced more challenging market conditions in 2019. The outlook for 2020 has improved but uncertainty remains in the near-term.	→	Business performance, the customer order book and external lead indicators are closely monitored to give the business time to respond to changing market conditions. The Group is confident that costs and capacity utilisation can be effectively managed in challenging markets and the commissioning of the new Desford facility can be managed in a manner that reflects economic conditions. The range of products provided by the Group through different distribution channels, to different end-markets and strong customer relationships continue to provide some resilience. **Executive sponsor: Stephen Harrison**	Balanced	Current economic conditions remain somewhat unpredictable across the Group's planning horizon and decision making balances the risk of economic conditions declining with the risks associated with being overly risk averse in this regard.	
4. GOVERNMENT ACTION AND POLICY The general level and type of residential and other construction activity is partly dependent on the UK Government's housebuilding initiatives, investment in public housing and availability of finance. Proximity to the end of the current phase of Help to Buy may stimulate demand ahead of March 2021 but may also see demand for the Group's products fall or change after this date. The Housing Infrastructure Fund could also have an impact. Changes to government policy or planning regulations could adversely affect Group performance.	→	The Group participates in trade associations, attends industry events and tracks any policy changes associated with housebuilding and the construction sector more broadly. Where identified, the Group factors any emerging issues into models of anticipated future demand to guide strategic decision making. The Group worked to actively mitigate the short-term risks posed by Brexit through 2019. The focus was on the supply chain and production management. **Executive sponsor: Stephen Harrison**	High	The Group is investing significantly for growth – in both capacity and range. Despite the current short-term political uncertainty the Group is making long-term investment as the timescales associated with adding additional capacity are significant and long-term planning is vital to achieving the Group's strategic objectives.	
5. RESIDENTIAL SECTOR ACTIVITY LEVELS Residential development (both new build construction and repair, maintenance and improvement) contribute a significant portion of Group revenue. The weighting of Group revenues towards this sector means that any change in activity levels in this sector could affect our strategic growth plans.	→	The Group closely follows the demand it is seeing from this sector, market projections, sentiment, mortgage affordability, credit availability in order to identify and respond to opportunities and risk. Group strategy encourages initiatives that strengthen the Group's position in this sector whilst also seeking to strengthen our commercial offer. **Executive sponsor: Stephen Harrison**	High	Serving the residential market lies at the core of the Group's strategy. Whilst the Group will seek opportunities to add to its commercial offer it will continue to see residential markets as core.	

KEY RISKS AND UNCERTAINTIES CONTINUED

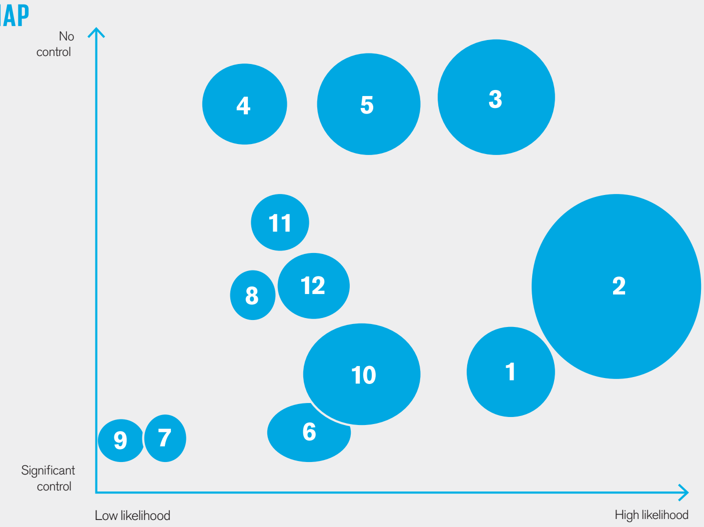
KEY RISK AND WHY IT IS RELEVANT	YEAR-ON-YEAR CHANGE	KEY MITIGATION, CHANGE AND SPONSOR	RISK APPETITE	RATIONALE FOR RATING	LINK TO STRATEGY
6. PRODUCT AVAILABILITY Some of the Group's product ranges are manufactured at a single facility. Low buffer stock levels and high capacity utilisation mean that a breakdown can cause product shortages and have a detrimental impact on the Group's performance and reputation.	↓	In the short-term, the Group continues to mitigate risk through its strong customer relationships, efficiency initiatives, production planning and managing shutdowns. However, capacity constraints and plant breakdowns can cause availability issues where the risk is not fully mitigated. Further, whilst plans to add capacity at Desford reduce the risk on some of our most popular brick lines longer-term the project itself adds risk i.e. the project does not run to plan or hampers production at the existing facility during the build phase. **Executive sponsors: George Stewart and Peter Varnsverry**	Balanced	Managing capacity sufficiently to allow it to align with projections of future demand is critical to achieving the Group's strategic priorities.	
7. CUSTOMER RELATIONSHIPS AND REPUTATION Significant revenues are generated from sales to a number of key customers. Where a customer relationship deteriorates there is a risk to revenue and cash flow.	↓	One of the Group's strategic priorities is to be the supply chain partner of choice for our customers. By delivering excellent customer service, enhancing our brands and offering the right products the Group seeks to develop our long-standing relationships with major customers and replicate these with newer customers. Regular and frequent review meetings focus on the Group's effectiveness in this area and external expertise has been engaged to support these appraisals. Some of the stock availability challenges seen in 2018 have now receded, back-office finance and sales system have been fully migrated for Brick and Block and new fleet scheduling and delivery tracking systems have been put in place. **Executive sponsor: Adam Smith**	Low	It is a key priority to deliver excellent service to customers. This is a core value and progress against objectives in this area is a priority of all employees. Stock levels built in the year allow us to better serve customers in the short-term and capital investment in many areas is focused on meeting customer requirements now and in the future.	
8. 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 and threats to its ability to meet customer expectations.	↓	The Group continues to focus on ensuring it sees stable prices for and continuity of supply for certain key raw materials. The cost and availability of pulverised fuel ash remains a risk for the business. Conversion of the facilities at Newbury and Hams Hall to accept substitute raw materials has been successful at minimising the requirements for dry pulverised fuel ash, but some requirement remains and the availability and price of this remains variable. Certain other raw materials pose similar (though lesser) risk, the Group continues to evaluate options that mitigate these risks too. The Brexit threat to its supply chain was managed through 2019, firstly in preparation for a 'hard Brexit' in Q1 and then in Q4. **Executive sponsors: George Stewart and Peter Varnsverry**	Balanced	Sufficient quantities of raw materials received at the right time and at the right price are critical to Group operations. The Group has prioritised risk mitigation to bring risk and risk appetite in line.	
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 understands where key person dependencies and skills gaps exist and continues to develop its succession, talent acquisition, and retention plans. Local risks are being managed through the local operational risk registers, and apprentice and graduate schemes continue to prove effective in mitigating staffing risks and supporting strategic priorities at all levels. On balance the risk has reduced, however, progress implementing the Group's new HR and payroll systems has been slower than envisaged and will be a key priority in 2020. **Executive sponsor: Edward Haslam**	Balanced	The Group has been investing in this area in recent years and will continue to mitigate risk in this fashion.	
10. RESEARCH AND DEVELOPMENT Demand for the products that the Group manufactures may decline if the Group fails to respond to market developments and revenues and margins may suffer.	↑	Strong relationships with customers and independently administered customer surveys ensure that the Group understands current and future demand. Close ties between the Strategy, Operations and Commercial functions ensure that the Group focuses on the right areas of research and development. The Group continues to develop manufacturing processes and the product range and regularly assesses how this supports the Group's progress against its strategic priorities and in line with its values. During the year particular progress was made developing products for the off-site construction markets and developing this route to market is a priority for 2020. Reducing the requirement for skilled labour on-site is important to our customers; who are also increasingly demanding more sustainable supply chains and reinforcing the need for investment in this area. **Executive sponsor: Darren Rix**	High	Where the right opportunities present themselves the Group is willing to invest to grow. The Group has invested in people so that these opportunities can be identified where applicable.	

RISK MANAGEMENT AND KEY RISKS
CONTINUED

KEY RISKS AND UNCERTAINTIES CONTINUED

KEY RISK AND WHY IT IS RELEVANT	YEAR-ON-YEAR CHANGE	KEY MITIGATION, CHANGE AND SPONSOR	RISK APPETITE	RATIONALE FOR RATING	LINK TO STRATEGY
11. IT INFRASTRUCTURE AND SYSTEMS Disruption or interruption to IT systems could have a material adverse impact on performance and position.		The Group has undertaken a period of investment in consolidating, modernising and extending the reach of our IT systems. The implementation of an Information Security Management System in the year has been recognised by ISO accreditation. In addition to ensuring that we maintain the availability, integrity and confidentiality of our systems, we must pursue further opportunities to optimise our systems to ensure further benefits are realised and improve operational effectiveness. **Executive sponsor: Matthew Day**	Low	Investment in IT has been a priority in recent periods to mitigate risk. The downside to IT risks significantly outweigh any potential upside and the Group's risk appetite reflects this.	
12. BUSINESS CONTINUITY Group performance is dependent on key centralised functions operating continuously and manufacturing functions operating uninterrupted. Should the Group experience significant disruption there is a risk that products cannot be delivered to customers to meet demand and all financial KPIs may suffer.		The Group has made plans that will allow key centralised functions to operate in the event of business interruption and audit activities have been undertaken to assess the effectiveness of these plans. The focus of continuity efforts at operational facilities has been on system availability, emergency response and disaster recovery. The Group has previously established a Business Continuity policy. By doing this managers can apply clear principles to develop plans quickly where a scenario without a pre-prepared plan is faced, for instance, following these principles and using existing plans for loss of resource and loss of facilities managers have been able to plan how to mitigate the risks presented where a pandemic (like COVID–19) results in a restriction on the movement of people and prolonged periods of working from home. **Executive sponsor: Ben Guyatt**	Low	Risk has been mitigated in key risk areas to acceptable levels. Ensuring production continuity will continue to be an operational priority, addressing the product availability risk recognised as a separate 'key risk'.	

RISK HEAT MAP



KEY RISKS

1. Health and safety
2. Sustainability
3. Economic conditions
4. Government action and policy
5. Residential sector activity levels
6. Product availability
7. Customer relationships and reputation
8. Cost and availability of raw materials
9. People training and development
10. Research and development
11. IT infrastructure and systems
12. Business continuity

CONTROL FOCUSED RISK HEAT MAP

Management have prepared a heat map to illustrate potential impact, likelihood and the level of control that management have over risks alongside each other, rather than the traditional two dimensional heat map. In the control focused risk heat map the size of the icons reflects the net impact that the risk could have (after mitigating activities have been considered), the x-axis shows net likelihood and the y-axis the degree of control that management have over a risk.

Net impact is a financial measure and net likelihood reflects the chance of the risk occurring within the next three years.

GOVERNANCE

GOVERNANCE

BOARD OF DIRECTORS AND COMPANY SECRETARY

1 | Justin Atkinson

Non-Executive Chairman

Appointment
Justin Atkinson joined the Board on 11 April 2016 and was appointed as Chairman in May 2019.

Skills, experience and qualifications
Justin has over 25 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 Chartered Accountant, holds a Bachelor's 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 James Fisher and Sons plc and member of the Audit Committee of the National Trust.

2 | Stephen Harrison

Chief Executive Officer

Appointment
Stephen Harrison was appointed as Chief Executive Officer on 21 January 2016.

Skills, experience and qualifications
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, the predecessor to Forterra, in 2012.

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.

3 | Ben Guyatt

Chief Financial Officer

Appointment
Ben was appointed to the Board on 1 January 2020 and prior to this, served as Director of Finance and Company Secretary.

Skills, experience and qualifications
Prior to his appointment as CFO, Ben held the role of Director of Finance and Company Secretary, playing a key role in the separation of the business from HeidelbergCement and the subsequent listing on the London Stock Exchange. 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 insurance broker, Heath Lambert. Ben is a Chartered Accountant and holds a Bachelor of Arts degree with honours in Accounting and Finance from the University of the West of England.

4 | Katherine Innes Ker

Senior Independent Non-Executive Director

Appointment
Katherine Innes Ker was appointed to Board on 1 September 2017 as an Independent Non-Executive Director, and was appointed as Senior Independent Non-Executive Director in May 2019.

Skills, experience and qualifications
Katherine has gained extensive executive and non-executive experience across a range of sectors in a career spanning 30 years. Katherine began her career as a city financial analyst and has since held many non-executive directorships including Colt Group SA, Fibernet plc, St Modwen Properties plc, Taylor Wimpey plc, Taylor Woodrow plc, Shed Media plc, ITV Digital plc, The Television Corporation plc, Tribal Group plc, S&U plc, Victoria plc, Marine Farms ASA, Gyrus plc, Williams Lea plc, Gigaclear plc and the Ordnance Survey. Katherine is a Graduate of Oxford University, holding both a Masters degree in Chemistry and a Doctorate in Molecular Biophysics.

Other Directorships
Non-Executive Chairman of Mortgage Advice Bureau plc, Non-Executive Director of The Go Ahead Group plc and Non-Executive Director at Vistry Group plc.

5 | Divya Seshamani

Independent Non-Executive Director

Appointment

Divya Seshamani was appointed to the Board as an Independent Non-Executive Director on 11 April 2016.

Skills, experience and qualifications

Over a career spanning 20 years Divya has experience at senior management or director level of businesses including those in 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 was a Partner at the global private equity house, TPG. Divya has also held investment roles at Singapore's sovereign wealth fund (GIC), Unilever Ventures 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.

6 | Martin Sutherland

Independent Non-Executive Director

Appointment

Martin Sutherland was appointed to the Board on 23 May 2017 as an Independent Non-Executive Director.

Skills, experience and qualifications

Martin has over 20 years of international experience at senior management or director level in technology and manufacturing businesses focused on the government, financial services and the telecoms markets. Martin previously held the position of Chief Executive Officer at De La Rue plc from 2014 to 2019. Previously he held various roles at Detica plc, becoming Managing Director in 2008 on its acquisition by BAE Systems plc. Prior to this Martin worked for Andersen Consulting and British Telecom. Martin holds a Masters degree in Physics from Oxford University, and a Masters degree in Remote Sensing from University College and Imperial College London.

7 | Vince Niblett

Independent Non-Executive Director

Appointment

Vince Niblett was appointed to the Board on 8 February 2019 as an Independent Non-Executive Director.

Skills, experience and qualifications

Vince was previously a Partner at Deloitte where he held a number of senior roles including membership of the UK Board of Directors and Global Managing Director, Audit & Enterprise Risk Services before retiring in 2015.

During his career at Deloitte, he served some of the firm's most significant public company clients, working with them on commercial and strategic issues as well as providing audit services.

Vince is a Chartered Accountant and holds a Bachelor of Arts degree in Economics from Reading University.

Other Directorships

Non-Executive Director at Big Yellow Group plc.

8 | Ashley Thompson

Company Secretary

Appointment

Ashley Thompson was appointed to the position of Company Secretary on 1 January 2020.

Skills, experience and qualifications

Ashley qualified as a solicitor in the corporate team of Freshfields Bruckhaus Deringer and then moved in-house before joining Forterra as the Company Solicitor in 2015. Before becoming a solicitor, Ashley has previously worked in the petrochemical industry as an engineer and within manufacturing at Triumph Motorcycles and then as a Detective Constable. Ashley holds a Bachelor of Engineering degree and a Masters in Law.

Committee membership

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

EXECUTIVE COMMITTEE

1 | Stephen Harrison
Chief Executive Officer

See Stephen Harrison's biography on page 46.

2 | Ben Guyatt
Chief Financial Officer

See Ben Guyatt's biography on page 46.

3 | Matthew Day
IT Director

Appointment
Matthew joined Hanson plc in 2005 as IT manager for Hanson Building Products, the predecessor to Forterra. Matthew then held a number of IT leadership roles within HeidelbergCement and was appointed Forterra's IT Director on the separation from HeidelbergCement in 2015.

Skills, experience and qualifications
Matthew has over 20 years of experience in senior IT roles with responsibility for overseeing major transformation and change programmes in sectors including manufacturing, construction and retail.

4 | Edward Haslam
Human Resources Director

Appointment
Ed joined Forterra in 2017. He previously held senior HR roles at Weetabix, Rolls Royce and Saint-Gobain.

Skills, experience and qualifications
Ed started his career as an apprentice in the automotive industry, during which time he studied for a Bachelor of Arts with honours in Business followed by an MA in Human Resource Management at the University of Wolverhampton.

5 | Darren Rix
Strategy and Development Director

Appointment
Darren joined Hanson plc in 2007 and held a number of senior finance roles, including Financial Controller for the Building Products and Cement divisions. Darren previously held the role of Group Controller at Forterra and was appointed Strategy and Development Director in 2017.

Skills, experience and qualifications
Darren is a Chartered Management Accountant and holds a Bachelor of Arts Degree with honours in Economics from the University of Leicester.

6 | Adam Smith
Commercial Director

Appointment
Adam joined the Group in 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.

Skills, experience and qualifications
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.

7 | George Stewart
Operations Director

Appointment
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 Nestlé UK, Smith and Nephew Medical and Motorola UK.

Skills, experience and qualifications
George holds a Bachelor of Science with honours degree in Chemical and Process Engineering from the Heriot-Watt University, Edinburgh.

8 | Peter Varnsverry
Managing Director, Bison Precast

Appointment
Peter joined Forterra in January 2019 but had previously worked with the business in interim and consulting roles. Prior to joining Forterra, Peter held senior positions in a number of businesses with manufacturing at their core including Airbus, Federal-Mogul and more recently Triumph Aerospace.

Skills, experience and qualifications
Peter has had prior experience in the precast concrete and off-site manufacturing industry as Head of Manufacturing with Laing O'Rourke and holds Masters degrees in Management and Strategic Change from Coventry and Huddersfield universities.

CORPORATE GOVERNANCE STATEMENT

Justin Atkinson
Chairman

INTRODUCTION FROM THE CHAIRMAN

I am pleased to present the Corporate Governance Statement of the Group for the first time since taking over as Chairman at the AGM in May 2019. Having been the Senior Independent Non-Executive Director and Chairman of the Audit Committee since the IPO in 2016, I have witnessed first-hand the development of the Group's governance and control systems and its maturity as a listed Group.

I would very much like to thank Paul Lester for his leadership of the Group on its journey through IPO to my appointment. His experience and dedication over this period has been invaluable to me personally and to Forterra too. Similarly, I would also like to thank Shatish Dasani for taking the lead on all financial aspects of the Group over a similar period before stepping down at the end of 2019 and handing over a business in fine financial health to his successor Ben Guyatt.

The Nomination Committee have followed rigorous and transparent processes when making changes to Board members' roles, the membership of sub-committees and appointing Vince Niblett after the change in my role.

As a Board we continue to recognise our accountability to shareholders and responsibility for ensuring good corporate governance. The Board, to meet these responsibilities, have monitored changes to corporate governance requirements, following the publication of The UK Corporate Governance Code 2018 (the revised Code), which we apply for the first time in 2019. Our purpose, culture, strategy, values, commitment to stakeholders and our commitment to delivering long-term sustainable value remain unchanged but the articulation of these and linkage throughout this Annual Report are clearer as a result of considering the revised Code.

The Corporate Governance Statement, together with the reports of the Audit, Nomination, Risk and Remuneration Committees on pages 54 to 85 set out in greater detail how the principles and provisions of the revised Code have been fulfilled and how the Board and its Committees have discharged their responsibilities for ensuring that robust governance practices continue to operate across the Group.

Justin Atkinson
Chairman

10 March 2020

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2018

The UK Corporate Governance Code 2018 (the revised Code) builds upon the provisions of the 2016 Code with an updated set of principles that emphasise the value of good corporate governance to long-term sustainable success. The relationships between companies, shareholders and stakeholders are critical to this, as is a focus on culture, through alignment of purpose, strategy, integrity and diversity.

The contents of the revised Code are:

- Leadership and purpose;
- Division of responsibilities;
- Board composition, succession and evaluation;
- Audit, risk and internal control; and
- Remuneration.

Within each of these areas a number of principles apply, each of these principles then links with a number of provisions. The application of these principles and provisions and the outcomes achieved are disclosed in the Annual Report as required for companies with a UK premium listing and the Board believes that Forterra is fully compliant with the revised Code at 31 December 2019.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

THE BOARD

The Board is responsible for successfully leading the Group in delivering long-term sustainable value to shareholders and making a positive contribution to wider society. The Board establishes the Company's purpose, values and strategic objectives, ensures that the Group's culture aligns with these and that directors lead by example in promoting the right culture. The Board also ensure that sufficient financial and human resources are in place for the Group to meet its objectives and a framework of prudent and effective controls are in place to enable risk to be assessed and managed.

Board members engage with shareholders and other stakeholders directly to ensure that the Group is meeting its responsibilities to them and is doing this sustainably. This engagement with stakeholders allows matters of concern to be raised by stakeholders and addressed by the Board.

SUMMARY OF MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters reserved for its decision which is regularly reviewed to ensure it remains appropriate and which is summarised below:

- 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 interim 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. The Board has established four such Committees, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. The terms of reference of each of these Committees are each reviewed on an annual basis. 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 54 to 57 outlines how the Board has applied the Code in respect of financial reporting and internal controls. The Risk Committee Report on pages 58 and 59 explains how the Board has applied the Code in respect of risk management. The Nomination Committee Report on page 60 outlines the Board's approach to Board development. The Remuneration Committee Report on pages 61 to 85 provides 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 Executive Committee which comprises eight senior managers including the two Executive Directors. Membership of the Executive Committee along with member biographies is detailed on page 48.

DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the roles of Chairman and the Chief Executive Officer and these roles are not exercised by the same individual. The Chairman, Justin Atkinson, leads the Board and is responsible for its overall effectiveness. The Chairman sets the Board's agenda, encourages the Directors to contribute openly to debate and ensures the Directors receive accurate, timely and clear information to stimulate this debate. The Chief Executive Officer, Stephen Harrison, assisted by the Executive Committee is responsible for the day-to-day operational and commercial management of the Group including embedding the purpose, values and strategic objectives established by the Board.

The Board, having considered provision 10 of the revised Code, are satisfied that the Chairman was independent on appointment and that each Non-Executive Director continues to be independent.

SENIOR INDEPENDENT DIRECTOR

The Board identify one of the Independent Non-Executive Directors as the Senior Independent Non-Executive Director. Justin Atkinson served in this role before being appointed Chairman. At this point Katherine Innes Ker stepped up to the role.

In the Senior Independent Non-Executive Director role, Katherine Innes Ker provides a sounding board for the Chair, serves as an intermediary for the other Directors and shareholders and also meets the other Independent Non-Executive Directors without the Chairman present to appraise the Chair's performance.

The Senior Independent Non-Executive Director is available to shareholders if they wish to meet to discuss the governance of the Group.

NON-EXECUTIVE DIRECTORS

The composition of each Committee has been changed during 2019 so that each Non-Executive Director sits on each Committee. This change has been made to allow the Non-Executive Directors to more effectively fulfil their responsibilities in providing constructive challenge, strategic guidance, specialist advice and holding management to account for the Group's and their personal performance. All Non-Executive Directors have the required time to devote to Forterra.

COMPANY SECRETARY

The Company Secretary during 2019, Ben Guyatt, ensured that policies, processes, information, time and resources were available to the Board to allow it to function effectively and efficiently. These responsibilities have been handed over to Ashley Thompson following his internal appointment as Company Secretary.

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 are 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 2020 Annual General Meeting.

On appointment, Board members 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 46 and 47. Any conflicts of interest are dealt with in accordance with the Board's conflict procedures.

BOARD EVALUATION

Having undertaken an external review in 2018; in 2019 the Board undertook a formal and rigorous internal evaluation of the Board's, Committees', Chairman's and Directors' performance and overall effectiveness.

The 2019 effectiveness evaluation assessed written feedback rather than following a scoring system, and focused on the following areas:

- composition;
- procedures;
- culture and tone from the top;
- strategy;
- stewardship and governance; and
- structure of sub-committees.

Each member of the Board was surveyed, their responses compiled, and a detailed report was prepared, reviewed by the Chairman and openly discussed by the Board.

Following this evaluation, the Board can confirm that it continues to understand its strengths and weaknesses and can respond accordingly to each. Further, the Board can also conclude that the composition of the Board and its Committees is appropriate, procedures in place are effective, responsibilities are divided clearly, and the Directors have the skills, experience, independence and knowledge to allow the Board and its Committees to successfully and effectively discharge their duties.

The following topics were identified through the evaluation process and will be considered further in 2020 and beyond:

- the purpose and culture being consistently observed through the business;
- stakeholder expectations and strategic plans more explicitly linked and aligned;
- further progress mitigating risks in relation to health and safety, plant performance, succession planning and disaster recovery;
- opportunistic horizon scanning that focuses on technological advancements, sustainability and modern methods of construction.

Finally, the Senior Independent Non-Executive Director met the other Directors without the Chairman being present; and the Chairman met with each Director separately. These meetings allowed a full discussion of each Board member's contribution, any feedback from the Board evaluation and adequate focus on personal development.

INDUCTION PROGRAMME

A structured induction programme is in place to ensure new Directors are quickly integrated into the Board and given the necessary insight and information to allow them to quickly become effective. The induction programme includes:

- meetings with the Executive Directors, Company Secretary, members of the Executive Committee and other members of management;
- guided visits to the Group's manufacturing facilities;
- meetings with external advisers including, corporate brokers, auditors and remuneration consultants as appropriate; and
- being given access to historic board papers and minutes.

Vince Niblett completed the structured induction programme in 2019 and provided positive feedback.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

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.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility under Principle O of the revised Code for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks it is willing to take to achieve its long-term strategic objectives.

The Board requested that the Internal Audit function carry out an annual review of the effectiveness of the Group's risk management and internal control systems. This monitoring and review process covered all material controls including financial, operational and compliance controls.

The Board confirms that:

- there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group;
- the systems have been in place for the year under review and up to the date of the approval of the Annual Report and Accounts;
- they are regularly reviewed by the Board along with the Risk and the Audit Committees where appropriate; and
- the systems accord with the Financial Reporting Council (FRC) guidance on risk management, internal control and related financial business reporting.

The key risks faced by the Group together with their potential impact and mitigating actions are laid out in the Risk Management section of the Strategic Report on pages 40 to 44.

FINANCIAL AND BUSINESS REPORTING PROCESSES

The Group has in place established and comprehensive financial review processes which are both forward and backward looking. These processes allow the Board to conclude that published information including the Annual Report and Accounts, interim financial information, and preliminary financial information along with other price sensitive public reports and other published financial information taken as a whole is fair, balanced and understandable.

These processes include:

- employing appropriately qualified and experienced professional staff;
- seeking advice from external professional advisers on complex matters where appropriate;
- formal sign-off procedures from executive management;
- tracking a range of performance indicators on a daily, weekly and monthly basis as appropriate;
- comprehensive review and where appropriate challenge, from the Executive Committee and other senior management;
- regular preparation of comprehensive budgets, forecasts and business plans and monitoring of performance against these;
- membership of trade associations providing access to industry statistics and trends;
- a transparent process to ensure full disclosure of information to the external auditors; and
- oversight provided by the Audit Committee and the Internal Audit function which ensures controls and processes are functioning as intended and that key assumptions and estimates made by Management are subjected to formal review.

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 Company 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 wrote to the top 10 shareholders in the year to offer to meet them and held a number of meetings with them as result. The Chairman and Senior Independent Non-Executive Director are available to meet major shareholders at their request.

SHARE DEALING CODE

The Company has adopted 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 applies to the Directors and other relevant employees of the Group.

BOARD MEETINGS

It is the intention of the Board to meet on at least eight occasions a year. In 2019 the Board met on nine occasions, one of which was a dedicated strategy session.

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. In addition to the scheduled meetings the Board also held a number of telephone conference calls during the year.

There were four meetings of the Audit Committee and Risk Committee and three meetings of the Remuneration Committee and Nomination Committee during the year under review.

The Chief Executive Officer, Chief Financial Officer and external auditor are generally 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.

Attendance	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Paul Lester	5/5	N/A	2/2	2/2	1/1
Justin Atkinson	9/9	2/2	4/4	3/3	3/3
Stephen Harrison	9/9	N/A	4/4	N/A	N/A
Shatish Dasani	9/9	N/A	N/A	N/A	N/A
Katherine Innes Ker	9/9	4/4	1/1	3/3	3/3
Vince Niblett	8/8	3/3	3/3	2/2	2/2
Divya Seshamani	9/9	4/4	4/4	1/1	3/3
Martin Sutherland	9/9	4/4	1/1	3/3	3/3

Note: The composition of the Committees has been changed during 2019 so that every Non-Executive Director sits on each committee.

Note: The Company Secretary was secretary to each committee and attended every meeting in this capacity.

Approved by the Board and signed on its behalf:

Justin Atkinson
Chairman

10 March 2020

AUDIT COMMITTEE REPORT

Vince Niblett
Chairman

INTRODUCTION

Dear Shareholder,

I am pleased to present my first Audit Committee Report, for the year ended 31 December 2019, following my appointment as Audit Committee Chairman in early 2019.

The Audit Committee (the Committee) has been delegated responsibility by the Board for protecting the interests of shareholders. Key features of the Committee terms of reference are detailed below, these terms allow the Committee to meet the needs of shareholders and the requirements of the revised Code:

- satisfying itself on the integrity of all financial reports;
- ensuring that financial reporting presents a fair, balanced and understandable assessment of the Group's position and prospects;
- establishing formal and transparent policies and procedures to ensure the independence and effectiveness of both internal and external audit;
- establishing procedures that manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Group is willing to take in pursuit of its long-term objectives.

The Internal Audit function, which operates on a co-sourced basis with PwC, have conducted four audits in 2019 and these have been reported to the Committee along with recommendations for improvement. All of these recommendations have been accepted and have either been implemented or are in progress. Further details of the work undertaken by our Internal Audit function are set out on page 56.

The Board has asked the Committee to review the Group's Financial Statements contained within this Annual Report and, following its review, the Committee is able to provide assurance to the Board that they present a fair, balanced and understandable assessment of the Group's position and prospects.

The following report demonstrates how the Committee has discharged its responsibilities during the year.

RESPONSIBILITIES AND TERMS OF REFERENCE

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website.

The terms of reference of the Audit Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

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 internal financial 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 whistleblowing, anti-bribery and corruption and anti-money laundering.

MEMBERSHIP

The members of the Committee as at 31 December 2019 were as follows:

Vince Niblett (Chairman);

Katherine Innes Ker;

Divya Seshamani; and

Martin Sutherland.

SUMMARY OF ACTIVITY DURING 2019

During 2019 the Committee formally met on four occasions. 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 Ernst & Young joined the Committee meetings by invitation. The external auditor was invited to and attended each meeting of the Committee in 2019. The Company Secretary provided secretarial services to the Committee and attended meetings in this capacity.

During the year under review and to the date of this Annual Report the principal activities of the Committee were as follows:

- review of the Group's annual and half-year financial statements and preliminary results announcements including review of significant financial reporting issues and matters of judgement inherent within the above;
- review of the content of the Annual Report and Accounts and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- monitor and review the Group's internal control and risk management systems including the regular review and monitoring of the progress of improvement and enhancement actions identified;
- monitor and review the performance of the co-sourced Internal Audit function confirming that its operating charter remains appropriate;
- review of the audit reports prepared by the Internal Audit function with subsequent oversight of the implementation of recommended improvements;
- monitoring of progress against the 2019/20 internal audit programme following consideration of the risks facing the Group;
- consideration of the external auditor's 2019 audit plan including the scope of audit work and the agreement of the 2019 audit fee;
- consideration of the annual letter to those charged with governance and other reports prepared by the external auditor;
- review the impact of changes in financial reporting standards including IFRS 16 'Leases' on the Group after transition to the new standards;
- review and approval of the Group's tax strategy; and
- review and update of the Committee's terms of reference ensuring they remain in line with best practice.

SIGNIFICANT FINANCIAL REPORTING RISKS AND JUDGEMENT AREAS CONSIDERED

The following judgement areas and significant estimates were considered by the Committee in the review and approval of the 2019 Financial Statements:

- Restoration and decommissioning provisions

The Group makes provisions for liabilities in respect of restoration and decommissioning based upon both third-party advice and management's judgement of the appropriate level of liability likely to arise in the future. The Committee has reviewed the basis and amounts of such provisions as at 31 December 2019 and is satisfied that they are appropriately stated.

- 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. This allowed the Committee to concur with management's assessment that the carrying value of the Group's inventories is appropriately stated.

- Impairment

The Committee has critically reviewed the processes adopted by management in assessing whether, in their judgement, any indicators of impairment existed and whether any detailed impairment testing should be undertaken. Due to the existence of intangible fixed assets or potential indicators of impairment, detailed impairment testing was carried out in respect of the Thermalite, Bison Precast and Formpave cash generating units. The Committee carefully considered the assumptions and sensitivities applied by management in undertaking the impairment testing and following its review, the Committee concurred with Managements' conclusion that as at the balance sheet date there had been no impairment.

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.

AUDIT COMMITTEE REPORT
CONTINUED

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 members of the Audit Committee now also serve on the Risk Committee. In addition, key members of the Internal Audit function may, by invitation, also attend meetings of the Risk Committee.

INTERNAL AUDIT

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.

A co-sourced Internal Audit function is in place, this is headed by an in-house Head of Internal Audit and supplemented by auditing resource and expertise from PwC where required. The Committee continues to believe that this operating model is the most suitable as it combines strong internal business knowledge and understanding with a wide pool of external experience and specialist skillsets to deliver the most effective and responsive solution possible.

During 2019 the Committee reviewed audit reports prepared by the Internal Audit function covering areas, including: end-to-end accounting procedures, revenue processes from customer quotation to invoice, project governance in relation to the Desford investment, inventory key controls and business continuity planning.

The Internal Audit function operates to an agreed internal audit programme which is set by the Committee after considering recommendations from the Internal Audit function as well as Executive Management. The Internal Audit function are currently mid-way through an 18 month audit programme which commenced in mid-2019 and will be completed by the end of 2020. From this point, future internal audit programmes will run for 12 months and will be coterminous with the year-end. This change is being made to allow the programme to better reflect current risks and also ensure the review of the Internal Audit function's performance over the last audit programme and the review and approval of the future programmes can be timetabled for the same time each year. The current audit programme has been designed after an assessment of risk; from this assessment the resource will focus on reviewing key financial processes and major projects.

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. The Head of Internal Audit and the co-sourced provider PwC have regular and confidential access to the Chairman of the Committee.

COMMITTEE EXPERIENCE AND COMPETENCE

Provision 24 of the revised Code requires that the Board should satisfy itself that at least one member of the Audit Committee has recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which it operates.

The Board have concluded that Vince Niblett meets the recent and relevant financial experience requirement. Vince Niblett was previously a Partner at international professional services firm Deloitte, where he held a number of senior roles including membership of the UK Board of Directors and Global Managing Director, Audit & Enterprise Risk Services before retiring in 2015. Vince is a Chartered Accountant and also a Non-Executive Director and Chairman of the Audit Committee at Big Yellow Group plc.

The Board also considers the wider Committee to have the required competence, skills and experience.

GOVERNANCE

The effectiveness of the Committee was reviewed as part of the Board and Committee evaluation detailed on page 51.

Following this exercise, the Committee has concluded that it is operating effectively and is providing robust challenge to the Executive Directors and the wider business.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Audit Committee has considered whether the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information for the Group's shareholders to assess the Group's position, performance, business model and strategy.

VIABILITY STATEMENT AND GOING CONCERN

Ahead of the publication of the full year financial results for 2019 the Committee undertook a detailed review of the prospects of the Group to ensure ongoing viability. A viability statement was prepared and scenarios modelled to support a recommendation to the Board that the Directors can justifiably state that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities to the end of 2022. The viability statement is included in the risk management and key risks section of the Strategic Report.

The Committee also reviewed the going concern statement included in the Directors' Report along with the underlying assessment prepared to support this statement.

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 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 Company'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 external 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 management team have conducted themselves during the audit process.

Also, the Chairman of the Committee regularly meets with the external audit partner outside of the formal committee meetings.

NON-AUDIT SERVICES POLICY

The Group's non-audit services policy restricts the external auditor from performing certain non-audit services in accordance with the Revised Ethical Standard 2016 issued by the Financial Reporting Council. These regulations did not formally apply until 2019 but the Group committed to applying best practice and applied the regulations from the start of 2017. The Revised Ethical Standard 2019 introduces further restrictions on services not closely linked to the audit, law or regulation. The Group is already in compliance with these regulations ahead of mandatory application.

The amounts paid to Ernst & Young for non-audit services during the year are disclosed in note 6 of the Financial Statements. The only non-audit service provided in the year was in respect of the review of the interim financial statements and results announcement. Ernst & Young also 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.

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:

Vince Niblett
Chairman of the Audit Committee

10 March 2020

RISK COMMITTEE REPORT

Divya Seshamani
Chairman

Dear Shareholder,

I am pleased to present the report of the Risk Committee for 2019. 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 Committee operates under terms of reference approved by the Board which are 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

As at 31 December 2019 the members of the Committee were as follows:

Divya Seshamani (Chairman);

Justin Atkinson;

Stephen Harrison;

Shatish Dasani;

Katherine Innes Ker;

Vince Niblett; and

Martin Sutherland.

Shatish Dasani stepped down as CFO at the end of the year and was replaced by Ben Guyatt. Ben therefore joined the Committee from 1 January 2020.

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 regularly attend and actively contribute to meetings.

RISK COMMITTEE ACTIVITY

During 2019 the Risk Committee's work has focused on ensuring strategy and decision making in the organisation stems from an in-depth understanding of thresholds of acceptable risk, identifying key risks and their impact, and prioritising strategy and action based on the likelihood and impact of risks facing the organisation. This form of decision making is embedded in senior management and has now been rolled-out throughout the organisation down to site-level risk registers. Some of the key areas that the Risk Committee have used this risk-based methodology on are:

- The overall **risk framework and policies** are continually reviewed, updated and assessed for effectiveness.
  Some activities that the Risk Committee dealt with in this area were:
    - approved the risk management policy;
    - approved the sustainability policy;
    - received updates from Management on specific key risks, mitigation measures and consideration of changes in key risks over the year;
    - monitored the progress of business continuity planning;
    - received updates from the Risk Steering Group, a group consisting of the Executive Committee and selected senior managers who meet regularly to focus on risk management matters; and
    - review of the Executive Directors' initiatives to enhance the awareness of risk management at all levels throughout the business.

- **Health and Safety** was identified as a key risk to the business and a number of initiatives were directed at improving this area, such as: the launch of the health and safety "Golden rules", prioritisation of visible felt leadership, raising awareness of mental health, wellbeing and employee assistance programmes and commissioning an external review of health and safety strategy, systems and effectiveness. The Risk Committee has, in addition:
    - considered the safety culture within the business, actively considering and reviewing the progress of Management's efforts to enhance the safety culture and awareness of risk throughout all levels of the business;
    - considered health and safety policy and practices against developments in best practice;
    - reviewed health and safety incidents along with Management's response to these incidents, identifying key learnings and further improvements that can be made to existing practices;
    - reviewed the outcomes of the safety walks undertaken by members of the Board during the year; and
    - evaluated the effectiveness of the Group's central Health and Safety function.
- Continuing to use risk, return and appropriate thresholds to evaluate **key business decisions**; the Risk Committee have:
    - continued to review of Brexit related developments and related contingency planning;
    - considered the cyber security risks faced by Group and the progress in mitigating these risks; and
    - reviewed the results of risk 'deep dives' in areas where strategic decision making potentially increases risk exposure; such as the Desford project.

Further information regarding the risks faced by the Group is included in the Risk Management section of Strategic Report on pages 40 to 44.

HEALTH AND SAFETY WALKS

Each member of the Board undertook at least two safety focused site visits, 'safety walks', at the Group's operating facilities during the year; where they took the opportunity to engage directly with employees on matters relating to health, safety and well-being. The Committee considers the feedback from each of these safety walks and regularly reviews progress against identified actions. These safety walks have been well received by our employees and demonstrate the Board's commitment towards visible felt leadership. Each member of the Board has again committed to undertaking at least two safety walks during the course of 2020. In addition, consistent with the objective of fostering a greater awareness of, and responsibility for risk management at an operating site level, the visits also considered wider site-specific risks and mitigations without diminishing the importance placed on health and safety.

Divya Seshamani
Chairman of the Risk Committee

10 March 2020

NOMINATION COMMITTEE REPORT

Justin Atkinson
Chairman

Dear Shareholder,

I am pleased to present the report of the Nomination Committee (the Committee) for 2019. The report below describes the main responsibilities of the Committee. I chair Nomination Committee meetings but would not participate when the Committee is dealing with my own position as Chairman, and did not participate in my appointment to Chairman in 2019.

MEMBERSHIP

The members of the Committee are appointed by the Board. At 31 December 2019 the members of the Committee were as follows:

Justin Atkinson (Chairman);

Katherine Innes Ker;

Divya Seshamani;

Martin Sutherland; and

Vince Niblett.

Vince joined the Committee effective from his appointment to the Board on 8 February 2019.

There were three formal meetings in the year.

RESPONSIBILITIES AND TERMS OF REFERENCE

The full responsibilities of the Committee are set out in its Terms of Reference which are available on the Company's website.

The terms of reference of the Nomination Committee are approved by the Board and are reviewed annually to ensure they remain appropriate.

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.

ACTIVITIES DURING THE YEAR

BOARD COMPOSITION AND APPOINTMENTS

During 2019 the Board implemented decisions made in 2018, namely to appoint Vince Niblett as a Non-Executive Director joining from 8 February 2019, and my appointment as successor to Paul Lester as Chairman effective from the conclusion of the AGM on 20 May 2019, and subsequently Katherine Innes Ker succeeding me as Senior Independent Non-Executive Director.

The Committee's additional activity in the year has been to successfully implement the planned succession to Shatish Dasani in his role as Chief Financial Officer. Effective 1 January 2020, Shatish has been succeeded by Ben Guyatt. Prior to his appointment as CFO, Ben held the role of Director of Finance and Company Secretary having played a key role in the separation of the business from HeidelbergCement and the subsequent listing on the London Stock Exchange. Ben joined Hanson plc in 2006 and held a variety of senior finance and strategy roles within Hanson and HeidelbergCement.

The Committee and Chief Executive Officer, supported by the HR Director, strongly believe that Ben's experience and knowledge of Forterra made him a seamless successor.

EXECUTIVE SKILLS AND SUCCESSION PLANNING

The Committee also reviewed the succession planning in place for Executive Directors and other senior executives gaining comfort that there are no current or anticipated future skills shortages that could threaten the success of the Group.

The Committee also reviewed the Board effectiveness evaluation, further information on which is included on page 51.

DIVERSITY AND EQUALITY

The Group has an Equality and Diversity policy and is committed to encouraging diversity across the business. At the end of the year, the Board contained two female members (representing 29%) and 10% of the Group's total workforce is female. Within non-production staff, 35% of employees are female. This figure is reflective of the nature of the business and the industry in which the Group operates. We are delighted to have appointed our first female onto our Graduate programme in 2019.

Justin Atkinson
Chairman of the Nomination Committee

10 March 2020

REMUNERATION COMMITTEE REPORT

Katherine Innes Ker
Chairman

Dear Shareholder,

I am pleased to present, on behalf of the Board, the 2019 Remuneration Report.

Our Remuneration Policy (the 'Policy') is designed with the objective to allow the Group to attract, retain, motivate and develop the best talent and to align the interests of the Executive Directors, senior management and employees with the strategic goals of the Group and the long-term interests of our shareholders. Alongside this, our Policy is designed to support a culture of high achievement and delivery with appropriate reward for high performance without incentivising the taking of unnecessary risks and to be both transparent and understandable.

The Policy was approved by shareholders at the 2017 AGM and received 99.96% of the votes in favour. The Policy has been reviewed in detail by the Remuneration Committee (the Committee) and a new policy will be proposed at the AGM on 19 May 2020. The Committee have concluded that the current policy remains largely fit for purpose with many best practice features including additional holding periods on vested long-term incentives, malus and clawback. The Committee would like to take the opportunity to make further minor changes, all of which are intended to bring the Policy further in line with best and market practice, and are aligned to the 2018 UK Corporate Governance Code. We are engaging with major shareholders and shareholder representative bodies on the changes proposed.

In summary the main changes are:

- Introduction of a post-cessation shareholding requirement. Leavers will be required to hold shares to the value of the shareholding ownership requirement (SOR) that applied at the cessation of their employment for one year post-cessation, reducing to 50% of the SOR for the second year.
- Updated clawback and malus provisions and the inclusion of additional circumstances:
  - corporate failure;
  - material damage to the Company's reputation;
  - failure of risk management; or
  - any other circumstances that the Board considers to have a similar nature or effect.
- Additional Committee discretions to include the discretion to override formulaic outcomes and to scale-back awards as necessary.

Further details on the changes made to the Policy can be found on pages 64 to 71.

MEMBERSHIP

The members of the Committee as at 31 December 2019 were as follows:

Katherine Innes Ker (Chairman);

Justin Atkinson;

Martin Sutherland;

Divya Seshamani; and

Vince Niblett.

STRUCTURE OF THE REPORT

Remuneration Committee Report, pages 61 to 63

Summary of Remuneration Policy, pages 64 to 71

Annual Report on Remuneration, pages 72 to 85

REMUNERATION COMMITTEE ACTIVITY

The Committee operates under terms of reference approved by the Board, a copy of which is available on the Company's website. During 2019 and to the date of this report the key activities of the Committee are laid out below with full details set out in the relevant sections of this report.

BOARD CHANGES

As previously announced, Shatish Dasani stepped down from his role as a Director of the Board on 31 December 2019. His leaving terms were within the approved Policy and in light of his service and contribution since IPO, and considering the reasons for his departure, the Committee determined that he should be treated as a good leaver under the incentive arrangements. Full details are set out on page 80 of this report.

Ben Guyatt was appointed as Chief Financial Officer on 1 January 2020 on a salary of £310,000. The Committee set his package in line with the approved Policy, with a maximum bonus opportunity of 100% of salary and a PSP award of 125% of salary.

REMUNERATION COMMITTEE REPORT
CONTINUED

2019 PAY DECISIONS

In line with the Policy, the Committee considered the base salaries of the Executive Directors and awarded a 2.0% increase to Stephen Harrison, effective 1 January 2020, in line with the increases awarded to the salaried employees of the Group. Ben Guyatt's appointment as Chief Financial Officer was effective 1st January 2020 and therefore no salary review was required.

CHAIRMAN'S FEE

In line with the increases awarded to the salaried employees of the Group, the Committee recommended that the fee payable to the Chairman was increased by 2.0%.

2019 PERFORMANCE AND REWARD

The challenging trading environment in 2019 is reflected in the Executive Directors' bonus awards. No payment will be received for the element of the bonus based on profit before tax (PBT) as the outturn for the year was lower than the threshold set.

The second element of the bonus is achievement against strategic and personal objectives. The Committee have assessed achievement against objectives for Stephen Harrison, Chief Executive Officer (CEO) at 50% and Shatish Dasani, Chief Financial Officer (CFO) at 46%. Recognising the decrease in PBT compared to prior year, the Committee have accepted a recommendation made by the CEO and decided to reduce the award for the achievement against objectives by 50%.

2020 ANNUAL BONUS

As part of the policy review, the Committee reviewed the operation of the Annual Bonus Plan and agreed that an additional financial performance metric, cash generated from operations, would be introduced. This better aligns the annual bonus with the strategy. The following metrics and weighting will apply for the annual bonus in 2020:

- 50% of maximum opportunity: profit before tax (previously 70%);
- 25% of maximum opportunity: cash generated from operations; and
- 25% of maximum opportunity: non-financial/strategic objectives (previously 30%).

PERFORMANCE SHARE PLAN AWARDS

The 2019 grant of awards under the Performance Share Plan (PSP) was made in accordance with the Policy at 150% of salary for Stephen Harrison and 125% of salary for Shatish Dasani. The award ensures that Directors' interests remain aligned to those of shareholders through an appropriate weighting of long-term variable share-based remuneration and ensures that their remuneration remains competitive and acts as an effective retention tool.

No change was made to the performance measures. Half of the awards will vest based on the Group's earnings per share (EPS) performance over the three-year period and half will vest subject to the Company's total shareholder return (TSR) performance against an unweighted index of comparator companies.
All awards are subject to malus and clawback provisions and a two-year holding period on vesting will apply.

Ahead of granting the 2019 awards it was agreed, after again reviewing management's expectations along with analysts' long-term growth forecasts for the Company and the industry, to maintain the EPS threshold target of 5% average annual growth over the three years to 2021 (at which 25% of the award would vest) and the maximum EPS target at 11% (the level at which 100% of the awards would vest).

The first PSP award made in 2016 vested in 2019. The 2016 PSP awards were granted with half of the awards subject to an EPS performance condition and the other half of the awards subject to a TSR performance condition. The EPS performance condition vested at 36.9% of the maximum (as reported in the 2018 Remuneration Report) and the TSR performance condition vested at 100% of the maximum.

The 2017 PSP award vests in April 2020. The vesting criteria of the part of the 2017 award subject to an EPS performance condition can be measured as at 31 December 2019 and as such is included in the 2019 single figure total of remuneration disclosed in this report, along with the portion of the 2016 PSP award subject to TSR outcome which was subject to a performance condition ending in April 2019. Performance against the 2017 EPS performance condition resulted in vesting at 43.57% reflecting the progressive growth in earnings over the period. Performance against the 2016 TSR performance condition resulted in 100% of this element vesting, reflecting the superior returns for shareholders achieved over the performance period applicable to that award.

In addition, the Committee approved the granting of share awards to Stephen Harrison and Shatish Dasani under the terms of the Deferred Annual Bonus Plan in respect of the deferral of an element of the 2018 bonus in line with the Policy.

2020 PERFORMANCE SHARE PLAN AWARDS

During the year the Committee has reviewed the metrics used in the long-term incentive scheme. It concluded that the use of EPS and relative TSR remained appropriate but that the comparator group used for relative TSR should be widened to better reflect the markets in which the Company operates and its customer base.

The existing peer group contains ten companies in the building materials industry and has remained unchanged since the IPO on 21 April 2016. The Committee considered the number and size of companies, the business and geographical mix, and the TSR correlation and volatility. The Committee decided that the size of the peer group should be increased and has identified companies to remove and add going forward based on the above criteria. This now means the peer group consists of 20 companies that have a higher median and average correlation with Forterra than the existing peer group, and includes the Group's customers in the form of house builders and builders' merchants.

Further details of the revised comparator group are set out on page 73 of the Annual Report on Remuneration.

EMPLOYEE INCENTIVISATION AND REWARD

Forterra are committed to the provision of an inclusive working environment and ensuring the fair reward of all employees, regardless of seniority across the business. In addition to the Executive Directors and senior management, the Committee considers wider workforce remuneration and conditions.

The Committee also continued its commitment to encouraging employee ownership by approving the offer and subsequent grant of share options under the Forterra Sharesave Plan. There was a strong uptake of this offer from employees such that over half of our workforce continue to save by investing in the Forterra Sharesave Plan.

We have included further content to this report providing more information in respect of wider workforce remuneration including disclosures related to gender pay reporting.

SHAREHOLDER ENGAGEMENT

We take a keen interest in our shareholders' views on executive remuneration and welcome any feedback on the Remuneration Committee Report.

This Remuneration Committee Report will be subject to an advisory vote, and the Remuneration Policy subject to a binding vote at the 2020 AGM. Our goal has been to be clear and transparent in the presentation of this report and I look forward to your support on this resolution.

Katherine Innes Ker
Chairman of the Remuneration Committee

10 March 2020

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.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY

INTRODUCTION

This Directors' Remuneration Policy provides an overview of the Company's policy on Directors' pay that it is intended will be applied in 2020 and will continue to apply until the 2023 AGM. It sets out the pay structures that the Company will operate and summarises the approach that the Committee will adopt in certain circumstances such as the recruitment of new Directors and/or the making of any payments for loss of office.

In accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013 (as amended) (the Regulations), the policy contained in this part will be subject to a binding vote at the AGM to be held on 14 May 2020 and will take effect immediately upon receipt of such approval from shareholders.

POLICY OVERVIEW

The Committee has responsibility for determining the remuneration of the Chairman, Executive and Non-Executive Directors (NEDs) 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 **Changes from previous policy:** none	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 **Changes from previous policy:** none	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 and 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 (including 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 **Changes from previous policy:** confirmation that pension provision for the Executive Directors is already aligned to all employees	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, which is aligned to that offered to all employees.	No performance metrics apply.
Annual bonus **Changes from previous policy:** updated recovery and withholding provisions (see note 1). Updated discretions	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' interests.	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 on Remuneration the nature of the targets and their weighting for the forthcoming financial year and details of the performance conditions, the weightings and targets 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). The payment of any bonus is at the absolute discretion of the Committee which may scale-back the formulaic out-turn of the bonus if it considers it appropriate to do so.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

Element	Purpose and link to strategy	Operation	Maximum opportunity	Framework used to assess performance
Long-term incentives **Changes from previous policy:** updated recovery and withholding provisions (see note 1). Updated discretions	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 Committee expects to retain the current grant levels of 150% of salary for the CEO and 125% 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). In respect of awards granted in 2020 and beyond, the Committee has the discretion to override the formulaic out-turn of the award and scale-back if appropriate to do so.
All-employee share plans **Changes from previous policy:** none	To increase alignment between employees and shareholders in a tax efficient manner.	All-employee share schemes may be operated. Current schemes include: ▪ Sharesave Plan (SAYE); ▪ Share Incentive Plan (SIP); ▪ 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 **Changes from previous policy:** introduction of post-cessation shareholding requirements	To align interests of management and shareholders and promote a long-term approach to performance and risk management.	**In-post** 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. **Post-cessation** Leavers will be required to hold the lower of 100% of their in-post share ownership requirement or their actual holding on departure for one year post-cessation, reducing to 50% of their in-post share ownership requirements for two years post-cessation. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement.	Not applicable.	No performance metrics apply.
Non-Executive Directors' fees **Changes from previous policy:** inclusion for the ability to pay additional fees for other designated Non-Executive Director roles	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. Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director or other designated Non-Executive Director role. The Chairman and Non-Executive Directors are entitled to reimbursement of reasonable business-related expenses (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, gross misconduct has been discovered, corporate failure, material damage to the Company's reputation, failure of risk management, or any other circumstances that the Board considers to have a similar nature or effect 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 2020, these are based on profit, cash generated from operations and non-financial/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 pay-out levels.

Note 3: **Performance Share Plan metrics.** For 2020 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.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

INCENTIVE PLAN DISCRETIONS

The Committee will operate the Annual Bonus Plan, including the Deferred Annual Bonus Plan, and the Performance Share Plan according to their respective rules and summarised in the policy set out above. 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 to override formulaic outcomes and scale-back outcomes under the annual bonus and PSP;
- 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.

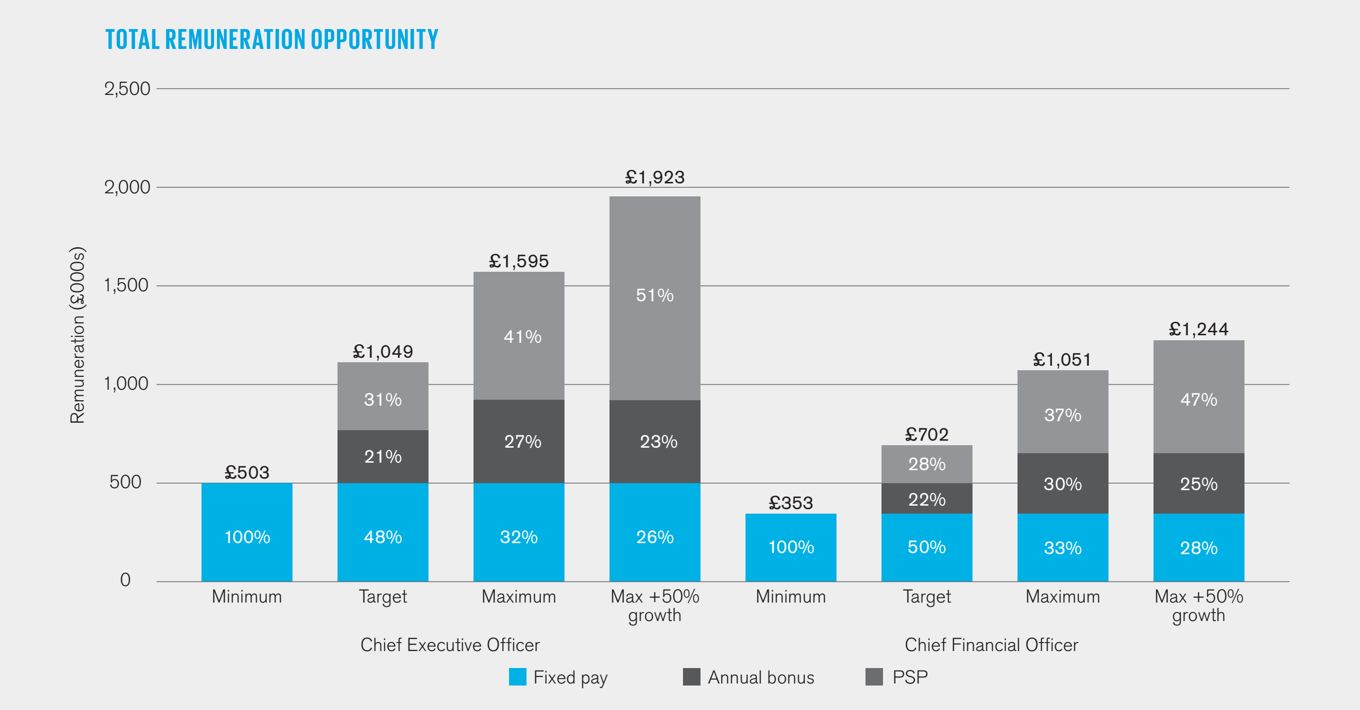
REMUNERATION POLICY FOR OTHER EMPLOYEES

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 Company aims to apply similar principles to the design of the remuneration arrangements for all employees. Executive Directors are entitled to receive a similar package of benefits and participate in the pension plan at the same level as other employees. However, differences do exist between the Company's policy for the remuneration of the Executive Directors and its approach to the payment of employees generally, reflecting market practice and different levels of seniority:

- 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 employees.

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 selected senior employees, a greater emphasis is placed on performance related pay reflecting their influence over the Company's performance.

ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY



Notes:

- Minimum is equivalent to fixed pay which comprises salary levels applying for 2020, the value of benefits in 2019 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 2020 grant level.
- Maximum comprises fixed pay plus maximum bonus plus the maximum value of the PSP (equal to 100% of the face value of the award at grant using the 2020 grant policy of 150% of salary for the CEO and 125% of salary for the CFO).
- Maximum + 50% share price growth comprising fixed pay plus maximum bonus plus the maximum value of the PSP at a 50% higher share price than when the PSP award was granted.

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.

REMUNERATION COMMITTEE REPORT
SUMMARY OF REMUNERATION POLICY
CONTINUED

SERVICE CONTRACTS CONTINUED

The table below 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.
Shareholding requirements	▪ All leavers will be required to hold the lower of 100% of their in-post share ownership requirement or their actual holding on departure for one year post-cessation, reducing to 50% of their in-post share ownership requirements for two years post-cessation. Shares acquired by or granted to an Executive Director prior to 1 January 2020 will not be counted towards the requirement.

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).

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. The pension offered to new Executive Directors will be set in line with the current policy and in alignment with the majority of employees in the Group.

In addition, on recruitment the Company may compensate for amounts foregone from a previous employer (using the exemption to the requirement for prior shareholder approval under Listing Rule 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 pay-out 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. Stephen Harrison holds outside appointments held in the capacity of representing the Group on trade associations and similar bodies and receives no remuneration in respect of these.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION

HOW THE VIEWS 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. In response to the new requirements of the UK Corporate Governance Code amendments, Martin Sutherland has been appointed to represent the views of employees to the Board, and when appropriate this will include decisions on remuneration across the business. This is facilitated through the existing Employee Forum.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDING 31 DECEMBER 2020

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2020 is set out below:

BASE SALARY

Executive Directors' salaries were reviewed in January 2020 and the Committee agreed to increase Executive Directors' salaries by 2.0% in line with the general increase awarded to salaried staff. The increases took effect from 1 January 2020.

	2020	2019	% Increase
Stephen Harrison	**£436,820**	£428,250	2.0%
Benjamin Guyatt	**£310,000**	n/a	n/a
Shatish Dasani	**n/a**	£321,190	n/a

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 65 of this report. The Executive Directors receive a retirement allowance equal to 10% of salary which is in line with the Company pension contribution available to all employees subject to the employee making a specified level of employee pension contribution.

ANNUAL BONUS

The maximum annual bonus for the year ending 31 December 2020 will be 100% of salary for Executive Directors. Awards will be determined based on a combination of the Group's financial results, being profit before tax (50%), cash generated from operations (25%), and strategic performance (25%).

The specific financial targets for 2020 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 2020 are also considered commercially sensitive. Stretching targets aligned to the Group's strategy 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.

PERFORMANCE SHARE PLAN (PSP)

The Committee intends to make awards under the PSP to Executive Directors during the 2020 financial year. Consistent with the previous year and the Policy, these awards will be at 150% of salary for the Chief Executive Officer and 125% of salary for the Chief Financial Officer. No changes will be made to the performance measures. Half of the awards will vest by reference to the Company's earnings per share (EPS) performance and the remaining half will vest subject to the Groups' total shareholder return (TSR) performance against an unweighted index of comparator companies over the three-year period.

PERFORMANCE SHARE PLAN (PSP) CONTINUED

The Committee have reviewed the existing TSR peer group to ensure it remains appropriate. The existing peer group contains 10 companies in the building materials industry, and has remained unchanged since the IPO on 21 April 2016, and it is therefore appropriate to now review the peer group. The Committee considered the number and size of companies, the business and geographical mix, and also TSR correlation and volatility. The Committee decided that the size of the peer group should be increased and has identified companies to remove and add going forward based on the above criteria. This now means the peer group consists of 20 companies that have a higher median and average correlation with Forterra than the existing peer group. The 20 companies are: Ibstock, St. Modwen Properties, Bellway, Barratt Developments, Countryside Properties, Vistry Group, Taylor Wimpey, Persimmon, Grafton Group, Berkeley Group Holdings, Redrow, Grainger, Crest Nicholson Holdings, Travis Perkins, Howden Joinery Group, Marshalls, Polypipe Group, Kingspan Group, SIG, Michelmersh Brick Holdings.

The EPS performance targets to be applied to the 2020 awards are being reviewed by the Committee. Awards will be subject to clawback/malus provisions and a two-year holding period on vested shares will 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:

	2020	2019	% Increase
Non-Executive Chairman	**£146,370**	£143,500	2.0%
Non-Executive Director base fee	**£53,530**	£52,480	2.0%
Additional fees:			
Senior Independent Director	**£10,000**	£10,000	–
Audit Committee Chairman	**£7,000**	£7,000	–
Remuneration Committee Chairman	**£7,000**	£7,000	–
Risk Committee Chairman	**£4,000**	£4,000	–

The increase in the Chairman's fee and Non-Executive Director base fee of 2.0% is equal to the increase awarded to the Group's salaried employees. The fees payable to the Chairman and the Non-Executive Directors are reviewed on an annual basis, such review will not necessarily lead to an increase.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

EXECUTIVE DIRECTORS (AUDITED)

	Period	Salary and fees	Taxable benefits[1]	Pension/ retirement allowance	Annual bonus[2]	Long-term incentives[3,4]	Total
Stephen Harrison	**2019**	**£428,250**	**£22,793**	**£42,825**	**£32,119**	**£598,530**	**£1,124,517**
	2018	£417,800	£22,290	£41,780	£252,767	£158,417	£893,054
Shatish Dasani[5]	**2019**	**£321,190**	**£19,372**	**£32,119**	**£22,162**	**£348,373**	**£743,216**
	2018	£313,350	£16,923	£31,335	£182,055	£95,051	£638,714

1 Taxable benefits in the year comprised a company car/allowance and private medical insurance.

2 Details of the bonus targets and their level of satisfaction and resulting bonus earned are set out on page 74.

3 The long-term incentive reported against 2019 is made up of the 2016 PSP grant TSR measure and the 2017 PSP grant EPS measure. The EPS measure is included on the basis that it is known at the reporting date and has been calculated using the three month average share price to 31 December 2019 of £2.92. Both measures include dividend equivalents. Full vesting details for the 2016 PSP grant are shown on page 75.

4 The long-term incentive recognised for 2018 has been restated for actual share price on the date of vesting of £2.88 and includes dividend equivalents.

5 The single total figure of remuneration for Shatish Dasani only includes amounts in respect of qualifying services. Details of termination payments can be found on page 80.

PENSION ENTITLEMENTS (AUDITED)

The Group operates a defined contribution personal pension plan. Both Executive Directors receive a 10% retirement allowance which they may use to make contributions into the Group personal pension scheme should they wish. 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.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

ANNUAL BONUS (AUDITED)

The 2019 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 73.

					Percentage of maximum value achieved		Bonus £ value achieved	
	Weighting	Threshold performance required	Actual performance achieved	Maximum performance required	Stephen Harrison[2]	Shatish Dasani[3]	Stephen Harrison[2]	Shatish Dasani[3]
PBT (before exceptional items)[1]	70%	£64.8m	£62.5m	£68.0m	0%	0%	–	–
Strategic objectives	30%		See table overleaf		50%	46%	£32,119	£22,162
Total (% of maximum)	100%				15%	13.8%		
Total[4]							£32,119	£22,162

1 Under the terms of the 2019 Annual Bonus Plan, bonus is earned on achieving the threshold PBT before exceptional items 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 2019 base salary of £428,250.

3 Maximum bonus opportunity of 100% of salary. Bonus payment based on 2019 base salary of £321,190.

4 Recognising the decrease in PBT compared to prior year, the Remuneration Committee have accepted a recommendation made by the CEO and decided to reduce the award for the achievement against personal objectives by 50%.

LONG-TERM INCENTIVES (AUDITED)

The 2017 PSP awards have a vesting date of 25 April 2020 although the vesting criteria of the part of the award subject to an EPS performance condition can now be measured and as such is included in the 2019 single figure total of remuneration shown above, along with the 2016 PSP award TSR vesting value and dividend equivalent.

PSP award	Performance condition	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% of this award element vesting
2017 (50% of award)	Annual EPS growth	5%	9%	6%	43.57%
2016 (50% of award)	Relative TSR vs sector comparator group	Equal to index	Index + 50%	68.6%	100%

PSP award	Performance condition	Weighting	% vesting (max 100%)	Date of end of performance period	Date of vesting	Share price on vesting[1]		Total shares vesting[2]	Estimated value of vesting shares
2017	EPS growth	50%	43.57%	31 December 2019	25 April 2020	£2.92	Stephen Harrison	58,034	£169,215
							Shatish Dasani	31,135	£90,784

1 As the share price on vesting is not yet known the value of the shares to be received is calculated using the average share price for the dealing days in the last three months of the financial year (1 October 2019 to 31 December 2019) of £2.92. This will be restated in next year's Annual Report and Accounts to reflect the actual share price on vesting on 25 April 2020.

2 Includes dividend equivalent shares calculated based on the dividends that would have been paid on the vesting shares during the vesting period. Amount of shares vesting for Shatish Dasani is pro-rated for time based on employment ending on 31st December 2019.

The percentage vesting outcome relating to the TSR performance condition (representing 50% of the awards granted) will be measured on 25 April 2020.

LONG-TERM INCENTIVES (AUDITED) CONTINUED

The 2016 PSP awards vested on 26 April 2019. The TSR element of this award is included in this year's single figure along with the value of dividend equivalents earned in respect of both the EPS and TSR elements of this award. The EPS criteria was reported in the 2018 Annual Report and Accounts and its value has been restated in this year's single figure based on actual share price used on vesting.

PSP award	Performance condition	Weighting	% vesting (max 100%)	Date of end of performance period	Date of vesting	Share price on vesting		Total shares vesting	Value of vesting shares
2016	EPS growth	50%	36.9%	31 December 2018	26 April 2019	£2.88	Stephen Harrison	51,249	£147,597
							Shatish Dasani	30,749	£88,557
	Total Shareholder Return	50%	100%	26 April 2019	26 April 2019	£2.88	Stephen Harrison	138,889	£400,000
							Shatish Dasani	83,333	£239,999
	Dividend Equivalent						Stephen Harrison	13,935	£40,133
							Shatish Dasani	8,361	£24,080
	Total shares vesting						Stephen Harrison	204,073	£587,730
							Shatish Dasani	122,443	£352,636

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

STRATEGIC OBJECTIVES

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

Element	Objectives	Assessment of achievement	% of maximum bonus payable in respect of strategic objectives
Stephen Harrison	Objectives linked to: Delivery of strategic actions; driving an improvement in safety culture; improved customer service; improve plant performance and productivity.	Partially achieved: Demonstrable strategic progress has been made with the Desford expansion project commencing and progressing on plan, and new product development delivering to customers in Bison Precast. Progress has been made on improving the safety culture but more focus is required to see a positive impact on accident statistics. Customer service has improved as measured independently with an improvement in Net Promoter Score. Productivity has increased in most factories and waste has been reduced in key sites.	50%
Shatish Dasani	Objectives linked to: Delivery of strategic actions; continued improvement of our IT and systems capability; improved customer service; improve plant performance and productivity.	Partially achieved: Demonstrable strategic progress has been made with the Desford expansion project commencing and progressing on plan, and New Product Development delivering to customers in Bison Precast. Major systems implemented in Transport Planning and Payroll. ISO 27001 Certification gained to plan exceeding quality metrics. Customer service has improved as measured independently with an improvement in Net Promoter Score. Productivity has increased in most factories and waste has been reduced in key sites.	46%

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. A full breakdown of the bonus and payments and share award deferral is set out below:

	Bonus total	Paid in cash	Paid in shares
Stephen Harrison	£32,119	£32,119	–
Shatish Dasani	£22,162	£22,162	–

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.

	Period	Fees	Total	Roles
Justin Atkinson[2]	**2019**	**£112,658**	**£112,658**	Senior Independent Non-Executive Director & Non-Executive Chairman
	2018	£68,200	£68,200	
Paul Lester[1]	**2019**	**£55,492**	**£55,492**	Non-Executive Chairman
	2018	£140,000	£140,000	
Divya Seshamani	**2019**	**£56,480**	**£56,480**	Independent Non-Executive Director
	2018	£55,200	£55,200	
Martin Sutherland	**2019**	**£52,480**	**£52,480**	Independent Non-Executive Director
	2018	£51,200	£51,200	
Katherine Innes Ker[3]	**2019**	**£65,313**	**£65,313**	Independent Non-Executive Director & Senior Independent Non-Executive Director
	2018	£58,200	£58,200	
Vince Niblett[4]	**2019**	**£47,817**	**£47,817**	Independent Non-Executive Director

1 Paul Lester retired as Non-executive Chairman and as a Director of the Company with effect from the conclusion of the Annual General Meeting on 20 May 2019.

2 Paul Lester was succeeded as Chairman by Justin Atkinson, who was the Senior Independent Non-Executive Director.

3 Justin Atkinson was succeeded as the Senior Independent Non-Executive Director by Katherine Innes Ker, who was an Independent Non-Executive Director.

4 Vince Niblett was appointed on 8 February 2019.

PERFORMANCE SHARE PLAN AWARDS MADE DURING THE YEAR

On 29 March 2019 the following awards were granted to Executive Directors.

	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	150% of salary of £428,250	£2.87	223,824	£642,375	25%	three years to 31 December 2021 for both the EPS and TSR element
Shatish Dasani	Nominal (1p) cost option	125% of salary of £321,190	£2.87	139,891	£401,487	25%	three years to 31 December 2021 for both the EPS and TSR element

1 The number of options was determined using a share price of £2.87 being an amount equal to the average mid-market closing price for the five days prior to grant.

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 2018 EPS of 26.5p	50%	<5% per annum 5% per annum 11% per annum or 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.

Awards are subject to malus and clawback provisions and a two-year holding period will apply.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

DEFERRED ANNUAL BONUS PLAN AWARDS MADE DURING THE YEAR

On 29 March 2019 the following awards were granted to Executive Directors:

	Type of award	Value of 2018 bonus to be converted into shares	Share price used to determine no. of options granted	Number of shares over which award was granted
Stephen Harrison	Nominal (1p) cost option	£105,493	£2.959	35,652
Shatish Dasani	Nominal (1p) cost option	£75,360	£2.959	25,468

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 2019 are as follows:

	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]	Unvested DABP (nominal cost options not subject to performance conditions)[5]	Vested DABP (nominal cost options not subject to performance conditions	Outstanding Sharesave awards[6]	Shareholding requirement met
Executive Directors									
Stephen Harrison	200%	120%	147,865	277	674,957	121,375	–	8,108	No
Shatish Dasani	200%	206%	190,808	277	241,793	–	92,958	1,802	Yes
Non-Executive Directors									
Justin Atkinson	n/a	–	25,000	–	–	–	–	–	n/a
Divya Seshamani	n/a	–	6,000	–	–	–	–	–	n/a
Martin Sutherland	n/a	–	7,500	–	–	–	–	–	n/a
Katherine Innes Ker	n/a	–	1,000	–	–	–	–	–	n/a
Vince Niblett	n/a	–	6,570	–	–	–	–	–	n/a

1 As at 31 December 2019. This is based on a closing share price of £3.465 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 This relates to shares awarded granted under the Forterra All-Employee Share Incentive Plan (SIP).

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

5 This relates to DABP awards relating to the partial deferral of the 2016, 2017 and 2018 annual bonus granted in the form of nominal (1p) cost options which are not subject to performance criteria. DABP sharetables vested in full upon termination of employment for Shatish Dasani.

6 Sharesave grants made under the Forterra Sharesave Plan on 2 October 2019 with an exercise price of 2.22 (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 2022.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS CONTINUED

Between 31 December 2019 and the date of this report there were no changes in the shareholdings outlined.

	Type of award	Date granted	At 1 January 2019	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2019
Stephen Harrison	PSP	Mar–19	–	223,824	–	–	**223,824**
	PSP	Mar–18	209,599	–	–	–	**209,599**
	PSP	Apr–17	241,534	–	–	–	**241,534**
	PSP	May–16	277,777	–	(204,073)	(73,704)	–
	DABP	Mar–19	–	35,652	–	–	**35,652**
	DABP	Mar–18	42,167	–	–	–	**42,167**
	DABP	Mar–17	43,556	–	–	–	**43,556**
	SAYE	Oct–19	–	8,108			**8,108**
	SAYE	Oct–16	13,333	–	(13,333)	–	–
Total							**804,440**
Shatish Dasani	PSP	Mar–19	–	139,891	–	(104,535)	**35,356**
	PSP	Mar–18	130,999	–	–	(54,145)	**76,854**
	PSP	Apr–17	144,921	–	–	(15,338)	**129,583**
	PSP	May–16	166,666	–	(122,443)	(44,223)	–
	DABP	Mar–19	–	25,468	(25,468)	–	–
	DABP	Mar–18	34,823	–	(34,823)	–	–
	DABP	Mar–17	32,667	–	(32,667)	–	–
	SAYE	Oct–19	–	8,108	–	(6,306)	**1,802**
	SAYE	Oct–16	13,333	–	(13,333)	–	–
Total							**243,595**

PSP awards granted in 2018 are subject to the performance conditions 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 2017 EPS of 24.5p	50%	<5% per annum 5% per annum 11% per annum or 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			

PSP awards granted in 2017 are subject to the performance conditions 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 2016 EPS of 21.5p	50%	<5% per annum 5% per annum 9% per annum or 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 of comparable companies against which the TSR is measured for the 2017 and 2018 awards is the same as the 2019 awards.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

PAYMENTS TO PAST DIRECTORS/PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Forterra plc (the Company) announced on 10 December 2019 that Shatish Dasani was to step down as Chief Financial Officer (CFO) with effect from 31 December 2019. As required by section 430(2B) of the Companies Act 2006, details of the remuneration payments to be made to Shatish Dasani are set out below.

SALARY AND BENEFITS

Shatish Dasani continued to receive his salary and contractual benefits up to 31 December 2019.

From 1 January 2020 to 9 December 2020 the Company will make a payment in lieu of notice (the PILON) in 11 equal monthly instalments of £29,442 and one pro-rated instalment in December 2020 in accordance with his 12 months' notice period detailed in his service agreement.

The 11 equal monthly instalments of the PILON will comprise:

- base salary: £26,765
- retirement Allowance: £2,677

For the duration of the notice period, Shatish will retain use of his Company Car and will continue to benefit from Private Medical Insurance, Life Insurance and Permanent Health Insurance cover.

In addition to PILON, Shatish will receive a payment of £14,207 for accrued but untaken holiday. The Company will fund future career support costs and cover legal fees up to the value of £20,000 and £15,000 respectively.

The obligation to seek alternative income over the PILON period remains.

2019 BONUS

The Remuneration Committee has determined that Shatish will be treated as a good leaver.

As a full financial year will have been worked, in line with performance criteria achieved, Shatish will receive a bonus for 2019 performance as detailed on page 74.

SHARE-BASED INCENTIVES

The following will apply to existing share-based incentive arrangements, in line with the Company's Remuneration Policy:

DEFERRED ANNUAL BONUS PLAN (DABP)

Deferred shares granted under the 2017, 2018 and 2019 DABP vested at the date of cessation of employment.

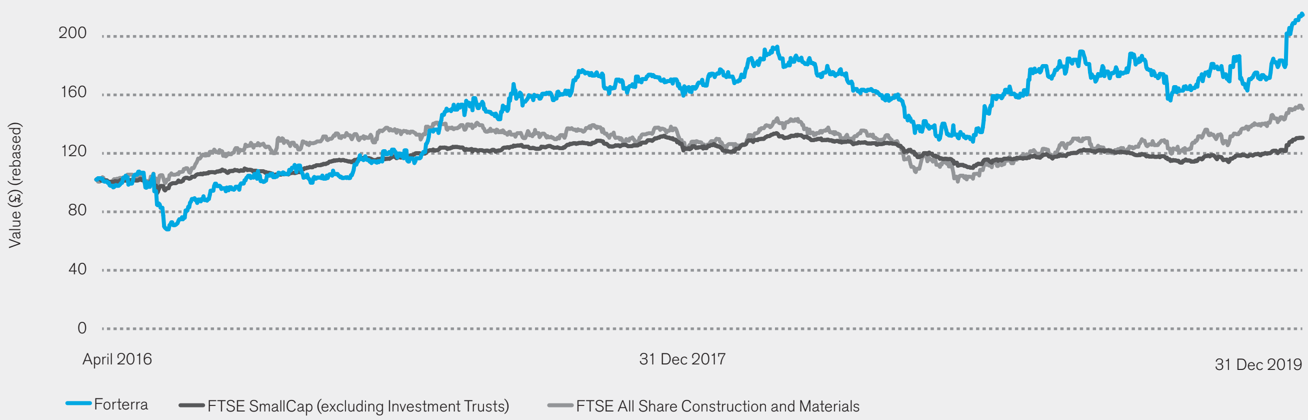
PERFORMANCE SHARE PLAN

Awards granted in 2017, 2018 and 2019 will vest at normal vesting date and pro-rated for time and tested for performance.

PERFORMANCE GRAPH

The graph overleaf illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE Small Cap index excluding investment companies and against the FTSE All-Share Construction and Materials index both of which the Company is a constituent of, from the start of conditional share dealing on 20 April 2016. The graph shows performance of a hypothetical £100 invested and its performance over that period.

TOTAL SHAREHOLDER RETURN



This graph shows the value, by 31 December 2019, of £100 invested in Forterra plc on 20 April 2016, compared with the value of £100 invested in the FTSE SmallCap (excl. Investment Trusts) and FTSE All Share Construction and Materials Indices on a daily basis.

CHIEF EXECUTIVE OFFICER'S REMUNERATION HISTORY

The table below sets out the total Chief Executive Officer's remuneration for 2019, 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 of data is shown.

Chief Executive Officer	**2019**	2018	2017	2016
Single total figure	**£1,124,517**	£893,054[4]	£762,476	£985,806[3]
Annual bonus (% of maximum)	**7.5%**	60.5%	72.0%	50.25%
PSP award (% of maximum)	**72.0%**[2]	36.9%[1]	–	–

1 Relates to element of 2016 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2018.

2 Relates to the element of 2017 PSP award subject to an EPS growth performance measure with a measurement period ending 31 December 2019 and the element of the 2016 PSP award subject to the TSR measure with the period ending 26 April 2019, and dividend equivalents.

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

4 This figure has been restated to reflect the actual share price on the vesting of the long-term incentive for 2018.

CHANGE IN CHIEF EXECUTIVE OFFICER'S REMUNERATION COMPARED WITH EMPLOYEES

	Change 2018 to 2019		
	Salary change	Benefits change	Annual bonus
Chief Executive Officer	2.0%	0%	(87.3%)[1]
Average for all employees	2.0%	0%	(73.2%)[1]

1 Decrease in annual bonus calculated for salaried employees only and includes a degree of estimation in respect of employee 2019 bonuses not finalised at the date of this report.

REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

CHIEF EXECUTIVE OFFICER PAY RATIO

The CEO to average employee pay ratio in 2019 was 26.1 times. This is measured as the ratio of the CEO single figure pay earned in the year to average (mean) employee pay. The Remuneration Committee is steadfastly committed to ensuring that the reward of the CEO and other senior executives is commensurate with performance. Accordingly, as laid out graphically in the Remuneration Policy, a significant element of the Chief Executive's total pay is variable and is determined based on the performance of the Company and is dependent on share price performance.

	2019	2018
Ratio of CEO single figure total remuneration to average employee remuneration	26.1	20.6

The Regulations require us to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees.

The table below shows the relevant data for Forterra's employees for 2019, calculated using Option B as set out in the legislation.

Year	Method of calculation adopted	25th percentile pay ratio (Chief Executive : UK employees)	Median pay ratio (Chief Executive : UK employees)	75th percentile pay ratio (Chief Executive : UK employees)
2019	Option B	40:1	26:1	21:1

Pay details for the individuals whose 2019 remuneration is at the median 25th percentile and 75th percentile amongst UK based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£428,250	£26,100	£16,429 [1]	£37,735
Total pay and benefits	£1,124,517	£27,604	£42,621	£52,999

1 The employee selected as the median comparison has a low base salary with a guaranteed minimum earning level closer to the total pay and benefits.

The median, 25th percentile and 75th percentile employees used to determine the above ratios were identified by using gender pay gap data and full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK based employees of the Group as at 31 December 2019 (i.e. Option B) under the Regulations). The committee selected this calculation methodology as it was felt to produce the most consistent result.

The Remuneration Committee is steadfastly committed to ensuring that the reward of the CEO and other senior executives is the commensurate with performance. Accordingly, as laid out graphically in the Remuneration Policy, a significant element of the Chief Executive's total pay is variable and is determined based on the performance of the Company and is dependent on share price performance. The increase in the reported ratio in 2019 compared to the comparative 2018 figure is a result of both the EPS and TSR elements of the 2017 and 2016 PSP award being included in full for the first time since IPO.

GENDER PAY REPORTING

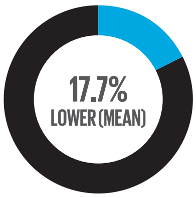
Forterra plc welcomes the UK Government's commitment to address the national gender pay gap. We firmly believe that all employees should have the opportunity to succeed and be rewarded regardless of their gender, and we are committed to ensuring our policies and practices adopt fair and equal principles when it comes to all aspects of diversity and inclusion.

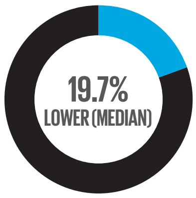
Our Gender Pay Reporting statistics (adhering to reporting guidelines) for the year ended April 2019 are as follows:

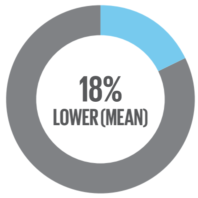
2019

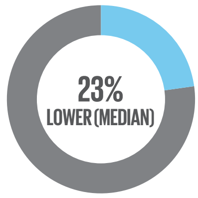
2018

A WOMAN'S HOURLY RATE IS:

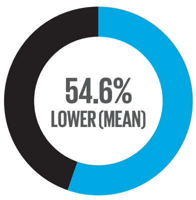


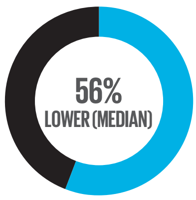


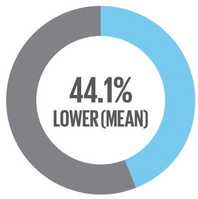


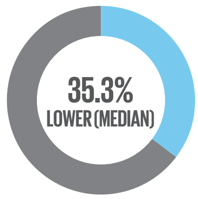


A WOMAN'S BONUS PAY IS:

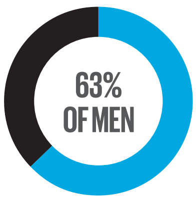


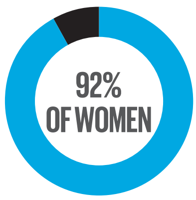


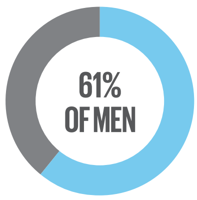


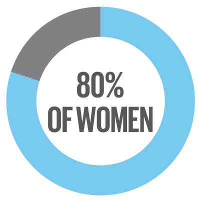


WITHIN EACH GENDER, THOSE WHO RECEIVE BONUS







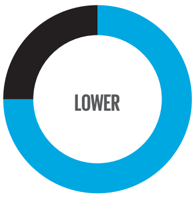


REMUNERATION COMMITTEE REPORT
ANNUAL REPORT ON REMUNERATION
CONTINUED

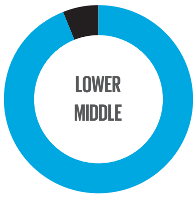
GENDER PAY REPORTING CONTINUED

THE GENDER PAY SPLIT WITHIN EACH QUARTILE (%):

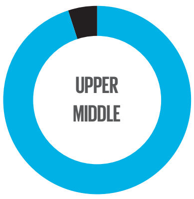
2019



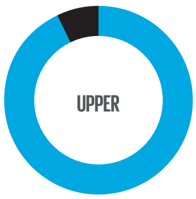
%
75 Male
25 Female



%
94 Male
6 Female

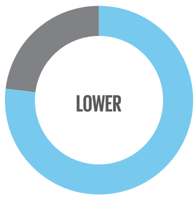


%
95 Male
5 Female



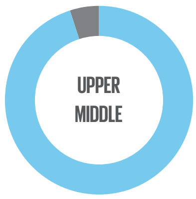
%
93 Male
7 Female

2018

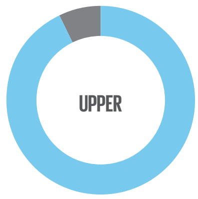


%
77 Male
23 Female

%
92 Male
8 Female



%
95 Male
5 Female



%
93 Male
7 Female

It is recognised that the statistics suggest a significant gender pay gap and it is important to stress that Forterra operates recruitment policies and salary and bonus structures that are entirely gender neutral and Forterra's Remuneration Policy is based on the principle of equal pay for equal work and as such the reported gender pay gap is a consequence of a gender imbalance by role type.

We recognise that the industries in which we operate have historically attracted a higher proportion of males to females. As many other companies are finding, a heavy skew towards one gender has an impact on the calculations we are required to report. We therefore believe it is important to look at this topic through a variety of lenses to ensure that we are monitoring for equality.

Further information on Forterra's approach to diversity in the workplace can be found in the Stakeholder Partnerships section of this Annual Report on pages 32 and 33.

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 2019.

	Disbursements from profit	
	2019 £m	2018 £M
Total spend on pay, including Directors	**96.9**	94.2
Distributions to shareholders by way of dividend	**22.0**[1]	19.3[2]

1 Final 2018 dividend of £0.072 per share paid in July 2019 and interim dividend of £0.04 per share paid in October 2019.

2 Final 2017 dividend of £0.064 per share paid in July 2018 and interim dividend of £0.033 per share paid in October 2018.

CASCADE OF INCENTIVES

The remit of the Remuneration Committee includes not only the remuneration of the Executive Directors but also the members of the Executive Committee. In making remuneration decisions in respect of the Executive Directors and senior management the Committee also monitors and considers the remuneration of the wider workforce to ensure that pay is fair throughout the Group.

Level	Participation in PSP	Participation in Bonus	Participation in SAYE
Executive Directors	✓	✓	✓
Executive Committee	✓	✓	✓
Senior managers	✓	✓	✓
Managers		✓	✓
Employees		✓[1]	✓

1 All salaried staff participate in the Forterra staff bonus scheme. Arrangements for hourly paid staff vary by facilities with a number of facilities offering production related bonuses as part of a total remuneration package. Other facilities may have a higher level of base pay and no bonus arrangements.

ADVISERS 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 the Executive Compensation practice 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 Aon in relation to executive remuneration matters during the year was objective and independent. Aon 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 Aon during the year totalled £40,383.

STATEMENT OF SHAREHOLDER VOTING

A high level of shareholder support was received for our Remuneration Policy at the 2017 AGM, and on our Remuneration Report at our 2019 AGM, as summarised below:

	Votes for	Votes against	Votes withheld
A binding vote on the approval of the Directors Remuneration policy in 2017	166,440,401 (99.96%)	65,494 (0.04%)	–
An advisory vote on the approval of the 2018 Annual Report on Remuneration	163,669,728 (99.91%)	149,248 (0.09%)	297

APPROVAL

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

Signed on behalf of the Board of Directors.

Katherine Innes Ker
Chairman of the Remuneration Committee

10 March 2020

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2019. 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 following information that would otherwise be presented in this Directors' Report is included in other appropriate sections of this Annual Report and Accounts.

Subject matter	Section and page reference
Likely future developments in the business	Strategic Report, page 7
Risk management	Strategic Report, pages 40 to 44
Financial instruments	Consolidated Financial Statements, pages 119 to 121
Employee engagement, diversity and inclusivity	Strategic Report, pages 32 and 33
Greenhouse gas emissions	Strategic Report, page 39
Research and development activities	Strategic Report, page 17

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
Directors' long-term incentive schemes	Annual Report on Remuneration, pages 74 and 75
Emoluments waived by Directors	Annual Report on Remuneration, page 74

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

During 2018 additional corporate reporting requirements were introduced via secondary legislation through The Companies (Miscellaneous Reporting) Regulations 2018, amending The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are first effective in this Annual report. These regulations focus on stakeholder engagement and the Group has responded to these in the statement below and in the areas cross-referenced therein.

DIRECTOR'S RESPONSIBILITIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The Board consider, both individually and collectively that they have acted in good faith to promote the success of the Company for the benefit of the Company's members as a whole in their decision making through 2019. In making a declaration that they have fulfilled their responsibilities in this matter the Board have considered the matters detailed in s172(1) paras (a–f).

The Board strategy session in 2019 allowed the Board to focus on appraising the likely consequences of their strategic decision making and critically assess ongoing activities and the impact on the long-term success of the Company. Pages 16 to 18 of the Strategic Report sets out performance, priorities and progress in this context.

Similarly, page 29 and the section on Stakeholder Partnerships that follows sets out how the Board ensure that the matters our stakeholders consider to be of high importance are reflected in the Board agenda. Our commitments to customers, people, community, suppliers, the environment and shareholders are balanced and our decision making fair. The business model on pages 10 to 13 of the Strategic Report complements this with the values that drive our behaviour and culture and how we measure the value with create for our stakeholders.

On page 49 Justin Atkinson introduces the Corporate Governance Statement. Through this statement, and the reports of the Board's sub-committees that follow, the Board's commitment to the highest standards of Corporate Governance are evidenced. The Board recognise that decisions made and the 'tone from the top' are critical to maintaining Forterra's reputation for high standards, fairness and appropriate business conduct.

DIVIDENDS

An interim dividend of 4.0 pence per ordinary share was paid on 10 October 2019 to those shareholders on the register on 20 September 2019. Subject to securing shareholder approval at the 2020 AGM, the Directors are proposing a final dividend for the financial year ended 31 December 2019 of 7.5 pence per ordinary share, this brings the total dividend for the year to 11.5 pence. If approved at the AGM, payment of the final dividend will be made to shareholders registered at the close of business on 19 June 2020 and will be paid on 9 July 2020.

DIRECTORS

The Directors of the Company who served during the year and to the date of this report are listed on pages 46 and 47. Details of the Directors' interests in the share capital of the Company are set out in the Annual Report on Remuneration on pages 78 and 79.

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 26 of the Consolidated Financial Statements on page 123.

As at 31 December 2019 there were 200,442,068 ordinary shares of 1p nominal value in issue. 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 (SIP) which holds ordinary shares in 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 Company has also established The Employee Benefit Trust (EBT) to satisfy awards vesting under the Performance Share Plan (PSP), the Deferred Annual Bonus Plan (DABP) and the Sharesave Schemes. The EBT announced a planned programme of share purchases on 26 September 2019, acquiring 80,000 ordinary shares per month. As at 31 December 2019 the EBT held a total of 1,271,844 shares in the Company, with a nominal value of 12,718p and at a weighted average purchase consideration of 284p per share.

SUBSTANTIAL SHAREHOLDINGS

At 31 December 2019 the Company in accordance with the Disclosure Guidance and Transparency Rules has been notified of the following interests of greater than 3% in its ordinary share capital. This information is correct at the date of notification and it should be noted that these holdings may have changed since they were notified to the Company.

		31 December 2019		10 March 2020	
Name of shareholder	Nature of holding	**Number of shares disclosed**	**% interest in voting rights**	Number of shares disclosed	% interest in voting rights
Investec Asset Management Ltd	Indirect	**20,032,842**	**9.99**	20,032,842	9.99
Aberforth Partners LLP	Indirect	**11,515,223**	**5.74**	11,515,223	5.74
J P Morgan Asset Management (UK) Limited	Indirect	**10,087,168**	**5.03**	10,087,168	5.03
Lansdowne Partners International Limited	Indirect	**n/a**	**n/a**	10,043,585	5.01
AXA Investment Managers S.A.	Indirect	**10,069,891**	**5.02**	9,967,891	4.97
Blackrock, Inc.	Indirect	**10,033,878**	**5.00**	9,701,778	4.84
J O Hambro Capital Management Limited	Indirect	**10,029,158**	**5.00**	9,912,718	4.95
Polar Capital LLP	Direct	**9,885,621**	**4.93**	9,885,621	4.93
GLG Partners LP	Direct	**8,530,621**	**4.25**	8,530,621	4.25

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.

DIRECTORS' REPORT
CONTINUED

SIGNIFICANT AGREEMENTS (CHANGE OF CONTROL)

The Company's committed credit facilities as described in note 20 of the Consolidated Financial Statements on page 118 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 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 Consolidated Accounts.

The Directors are also required to provide a broader assessment of viability over a longer period which can be found on page 41.

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 2020 AGM will be held on Thursday 14 May 2020. Full details are contained in the Notice convening the AGM, which is being sent to shareholders with this Annual Report.

Approved by the Board and signed on its behalf by:

Ben Guyatt
Chief Financial Officer

10 March 2020

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 46 and 47 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.

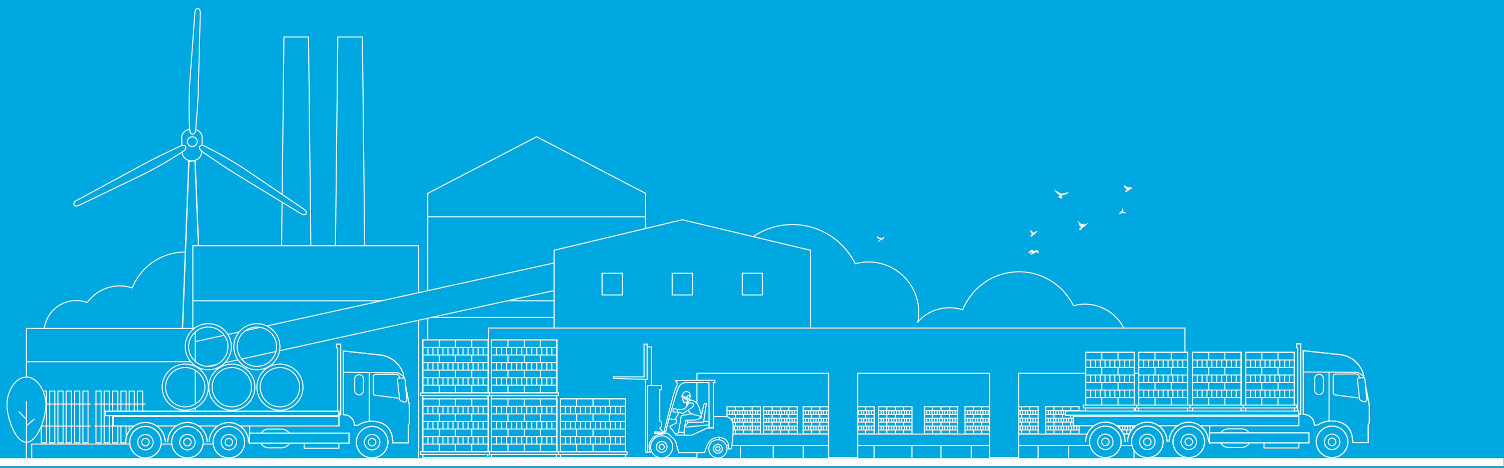
Approved by the Board and signed on its behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

10 March 2020

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

OPINION

In our opinion:

- Forterra plc's Consolidated Financial Statements and Company Financial Statements (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 2019 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; 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.

We have audited the Financial Statements of Forterra plc which comprise:

Group	Company
Consolidated Balance Sheet as at 31 December 2019	Balance sheet as at 31 December 2019
Consolidated Statement of Total Comprehensive Income for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 12 to the Financial Statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 29 to the Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is the 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 (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 42 to 44 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 40 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 Directors' statement set out on page 102 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC
CONTINUED

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT CONTINUED

- the Directors' explanation set out on page 41 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.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	▪ Revenue recognition. ▪ Management override of the restoration and decommissioning provision.
Audit scope	▪ We performed a full scope audit of the complete financial information for the main trading component and full scope audit procedures for the Company. ▪ The components where we performed full audit procedures accounted for 100% of profit before tax, 100% of revenue and 100% of total assets.
Materiality	▪ Overall group materiality of £3.1m which represents 5% of profit before tax and exceptional items.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements in the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
REVENUE RECOGNITION (Revenue net of rebates £380.0 million, 2018: £367.5 million). Refer to the Summary of Significant Accounting Policies (page 104); and Note 4 of the Consolidated Financial Statements (page 109) There is a risk of inappropriate revenue recognition through revenue being recorded in the wrong period or through inappropriate manual journals posted to revenue.	We have understood the accounting for revenue which included identifying key controls over the revenue process and reviewed the revenue recognition policy and ensured it is in compliance with IFRS 15. We performed data analytics techniques over the full amount of revenue recognised in the year through to invoice settlement. Where the process did not follow our expectations, we investigated and tested these entries to ensure their validity by agreeing back to source documentation. We have tested journal entries to revenue, applying a number of parameters designed to identify and test entries that were not in accordance with our expectations. This included analysing and selecting journals for testing due to size, preparer or being manually posted. We verified the journals to originating documentation to confirm that the entries were valid. We have tested a statistical sample of revenue transactions throughout the period to ensure they met the IFRS revenue recognition criteria and traced them to source documentation making sure they were appropriately recorded. We inspected the financial impact of transactions around the period end and tested a sample of transactions to source documentation to ensure they were recorded in the correct period.	Based on our procedures we have identified no instances of incorrect revenue recognition and the amounts have been recognised in line with IFRS 15.
	We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
MANAGEMENT OVERRIDE OF THE RESTORATION AND DECOMMISSIONING PROVISION (£11.2 million, 2018: £11.1 million). Refer to the Audit Committee Report (page 55); Significant Accounting Estimates and Judgements (page 108); and Note 24 of the Consolidated Financial Statements (pages 121 and 122) The restoration and decommissioning provision is subject to a high degree of subjectivity as to determine the estimated future cash outflows involves significant management judgements in relation to inflation rates and the appropriate discount rate to use.	We have obtained the Group accounting policy, Management's accounting paper and supporting analysis setting out the accounting treatment applied in preparing the calculation of the restoration and decommissioning provision (including the underlying assumptions) and walking through key controls within 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 obtained management's cost calculation of the restoration and decommissioning provision for each site, which is based on an independent third party consultant's assessment. We evaluated the competence and the objectivity of the consultants, assessed the appropriateness of the methodology used which included holding calls with Managements advisors, confirming its compliance with IFRS and the appropriateness of the cost calculated. We have also performed hindsight analysis to compare the provision to sites which have been decommissioned to assess the appropriateness of the provision. Where differences have been identified we have investigated and obtained evidence for the differences to support the final assumptions used. We have previously agreed the useful lives used in the calculation to third party surveys of the level of mineral reserves held at each site. Using this information we have compared the year on year movement, where a material movement has occurred we have obtained evidence to support the change in the year.	The assumptions used in the valuation of the restoration and decommissioning provision are considered within an acceptable range. Based on our procedures, we have identified no instances of inappropriate management override of the restoration and decommissioning provision.
	We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	

In the prior year, our Auditor's report included a key audit matter in relation to accounting for rebates along with revenue recognition. In the current year, accounting for rebates has been excluded from key audit matters based on the past experience and current year assessment that shows rebate calculations are not complex as they are driven by volume and the majority are coterminous with the year-end of the Group.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and 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 when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts in the Financial Statements, we have selected the three components, which represent the principal business units within the Group.

Of the three components, we performed an audit of the complete financial information (full scope components) for two of them. For the other component we have performed review procedures over the accounts within that component.

The components where we performed audit procedures accounted for 100% (2018: 100%) of the Group's profit before tax, 100% (2018: 100%) of the Group's revenue and 100% (2018: 100%) of the Group's total assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

CONTINUED

TAILORING THE SCOPE CONTINUED

For the current year, the full scope components contributed 100% (2018: 100%) of the Group's adjusted profit before tax, 100% (2018: 100%) of the Group's revenue and 100% (2018: 100%) of the Group's total assets.

The remaining component represents 0% of the Group's 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 £3.1 million (2018: £3.2 million), which is 5% (2018: 5%) of profit before tax and exceptional items.

We determined materiality for the Company to be £1.4 million, set as lower of Group allocated materiality of £1.4m and statutory materiality of £1.8m based on 0.5% of total assets (2018: £1.5 million which is 0.5% of total assets).

STARTING BASIS

We begin our assessment for materiality based on profit before tax

£58.2m

ADJUSTMENT

Adjustments for exceptional items

£4.3m

MATERIALITY

Totals

£62.5m

profit before tax and exceptional items

Materiality

£3.1m

(5% of profit before tax and exceptional items)

During the course of our audit, we have reassessed initial materiality of £3.4 million that was based on the forecasted profit before tax. On reassessment, materiality was decreased to £3.1m mainly due to the decline in actual profit before tax and exceptional items relating to underperformance of the business compared to expectations.

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 should be set at 75% (2018: 75%) of our planning materiality, namely £2.3m (2018: £2.4m). We have set performance materiality at this percentage due to our understanding of the entity and past experience with the audit, which indicates a lower risk of misstatements.

Audit work of the components 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 £2.3m to £1.4m (2018: £2.4m to £1.9m).

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 £0.16m (2018: £0.16m), 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.

OTHER INFORMATION

The other information comprises the information included in the Annual Report set out on pages 1 to 89, including Strategic Report, set out on pages 1 to 44, Governance, set out on pages 45 to 89 and Additional Information set out on page 133, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If based on the work performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 89** – the statement given by the Directors that they consider 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 54 to 57** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' Statement of compliance with the UK Corporate Governance Code set out on page 49** – the parts of the Directors' Statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

OPINIONS 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.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORTERRA PLC

CONTINUED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- a Corporate Governance Statement has not been prepared by the Company.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 89, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, FRS 102, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.
- We understood how Forterra plc is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and any correspondence received from regulatory bodies.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD CONTINUED

- We assessed the susceptibility of the Financial Statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by Management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, divisional management; and focused testing, as referred to in the key audit matters section above.

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

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were re-appointed as auditors by the Company at the AGM on 20 May 2019 and the engagement letter was signed on 10 July 2019 to audit the Financial Statements for the year ending 31 December 2019 and subsequent financial periods.
  The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2016 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

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

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

10 March 2020

1 The maintenance and integrity of the Forterra plc website 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 website.

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 2019

	Note	2019 £m	2018 £m
Revenue	4	**380.0**	367.5
Cost of sales		**(243.8)**	(230.2)
Gross profit		**136.2**	137.3
Distribution costs		**(54.4)**	(51.8)
Administrative expenses		**(21.8)**	(20.1)
Other operating income	7	**0.7**	1.7
Operating profit	5	**60.7**	67.1
EBITDA before exceptional items		**82.7**	78.8
Exceptional items	9	**(4.3)**	–
EBITDA		**78.4**	78.8
Depreciation and amortisation	14,15,27	**(17.7)**	(11.7)
Operating profit		**60.7**	67.1
Finance expense		**(2.5)**	(2.3)
Profit before tax		**58.2**	64.8
Income tax expense	11	**(11.4)**	(12.0)
Profit for the year attributable to equity shareholders		**46.8**	52.8
Total comprehensive income for the year attributable to equity shareholders		**46.8**	52.8
Earnings per share		**Pence**	**Pence**
Basic earnings per share	13	**23.8**	26.5
Diluted earnings per share	13	**23.7**	26.1

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Assets			
Non-current assets			
Intangible assets	14	**18.2**	17.3
Property, plant and equipment	15	**182.6**	170.5
Right-of-use assets	27	**13.7**	–
		214.5	187.8
Current assets			
Inventories	16	**47.8**	37.4
Trade and other receivables	17	**40.4**	37.9
Cash and cash equivalents	18	**26.6**	26.0
		114.8	101.3
Total assets		**329.3**	289.1
Current liabilities			
Trade and other payables	19	**(71.5)**	(72.0)
Current tax liabilities		**(3.5)**	(3.9)
Loans and borrowings	20	**(0.1)**	(0.3)
Lease liabilities	27	**(5.1)**	–
Provisions for other liabilities and charges	24	**(4.3)**	(4.2)
		(84.5)	(80.4)
Non-current liabilities			
Loans and borrowings	20	**(69.7)**	(64.5)
Lease liabilities	27	**(9.0)**	–
Provisions for other liabilities and charges	24	**(8.1)**	(8.4)
Deferred tax liabilities	25	**(1.8)**	(1.6)
		(88.6)	(74.5)
Total liabilities		**(173.1)**	(154.9)
Net assets		**156.2**	134.2
Capital and reserves attributable to equity shareholders			
Ordinary shares	26	**2.0**	2.0
Retained earnings		**157.8**	138.0
Reserve for own shares	26	**(3.6)**	(5.8)
Total equity		**156.2**	**134.2**

The notes on pages 102 to 126 are an integral part of these Consolidated Financial Statements.

Approved by the Board of Directors on 10 March 2020 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Operating profit before exceptional items		**65.0**	67.1
Adjustments for:			
– Depreciation and amortisation	14, 15, 27	**17.7**	11.7
– Movement on provisions	24	**(0.3)**	(4.5)
– Share-based payments	28	**1.3**	2.1
– Other non-cash items		**(1.6)**	(1.3)
– Profit on sale of property, plant and equipment	7	**–**	(0.2)
Changes in working capital:			
– Inventories		**(10.4)**	(1.1)
– Trade and other receivables		**(2.9)**	(4.9)
– Trade and other payables		**(3.9)**	10.9
Operating cash flow before exceptional items		**64.9**	79.8
Cash flows relating to exceptional items		**(1.1)**	–
Cash generated from operations		**63.8**	79.8
Interest paid		**(2.4)**	(2.2)
Tax paid		**(8.8)**	(11.8)
Net cash generated from operating activities		**52.6**	65.8
Cash flows from investing activities			
Purchase of property, plant and equipment		**(22.5)**	(16.5)
Purchase of intangible assets		**(1.8)**	(2.1)
Proceeds from sale of property, plant and equipment		**–**	0.2
Net cash used in investing activities		**(24.3)**	(18.4)
Cash flows from financing activities			
Dividends paid	12	**(22.0)**	(19.3)
Drawdown of borrowings		**17.0**	–
Repayment of borrowings		**(12.0)**	(25.0)
Equity shares acquired by Employee Benefit Trust		**(9.7)**	(6.1)
Proceeds from sale of shares by Employee Benefit Trust		**4.9**	–
Repayment of lease liability		**(5.9)**	–
Net cash used in financing activities		**(27.7)**	(50.4)
Net increase/(decrease) in cash and cash equivalents		**0.6**	(3.0)
Cash and cash equivalents at the beginning of the period		**26.0**	29.0
Cash and cash equivalents at the end of the period	18	**26.6**	26.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
Balance at 1 January 2018		2.0	–	102.7	104.7
Total comprehensive income for the year		–	–	52.8	52.8
Dividends paid	12	–	–	(19.3)	(19.3)
Purchase of shares by Employee Benefit Trust		–	(6.1)	–	(6.1)
Share-based payments charge		–	–	2.4	2.4
Share-based payments exercised		–	0.3	(0.3)	–
Tax on share-based payments	25	–	–	(0.3)	(0.3)
Balance at 31 December 2018		2.0	(5.8)	138.0	134.2
Adoption of IFRS 16 accounting standard		–	–	(0.6)	(0.6)
Restated balance at 1 January 2019		**2.0**	**(5.8)**	**137.4**	**133.6**
Total comprehensive income for the year		–	–	46.8	46.8
Dividends paid	12	–	–	(22.0)	(22.0)
Purchase of shares by Employee Benefit Trust		–	(9.7)	–	(9.7)
Proceeds from sale of shares by Employee Benefit Trust		–	4.9	–	4.9
Share-based payments charge		–	–	1.5	1.5
Share-based payments exercised		–	7.0	(7.0)	–
Tax on share-based payments	25	–	–	1.1	1.1
Balance at 31 December 2019		**2.0**	**(3.6)**	**157.8**	**156.2**

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 United Kingdom. The address of the registered office of the Company and its subsidiaries 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 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.

The Consolidated Financial Statements of the Group for the year ended 31 December 2019 were approved for issue by the Board of Directors on 10 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The accounting policies used in the preparation of the Consolidated Financial Statements of the Group 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 20 to 22 of its Strategic Report the financial position, performance, cash flows and borrowing facilities and on page 41 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 accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2018, except as disclosed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 – Leases (effective 1 January 2019)

The Group has adopted IFRS 16 from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(I) ADJUSTMENTS RECOGNISED ON ADOPTION OF IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.55%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

As at 1 January 2019 the Group did not hold any finance leases, therefore no accounting adjustment for finance leases on transition was necessary.

	£m
Operating lease commitments as at 31 December 2018	**(22.6)**
Less: adjustments on transition to IFRS 16	**6.7**
	(15.9)
Weighted average incremental borrowing rate as at 1 January 2019	**2.55%**
Lease liabilities under IFRS 16 as at 1 January 2019	**(14.6)**

Adjustments on transition to IFRS 16 includes non-lease components, short-term and low-value leases and additional leases identified through the transition process.

The associated right-of-use assets for all leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The effect of the adoption of IFRS 16 as at 1 January 2019 is as follows:

Assets	£m
Right-of-use assets	**14.2**
Prepayments	**(0.4)**
Deferred tax asset	**0.2**
	14.0
Liabilities	
Lease liabilities	**(14.6)**
	(14.6)
Total adjustment on equity	
Retained earnings	**0.6**

(II) IMPACT ON SEGMENT DISCLOSURES

EBITDA and segment assets for December 2019 increased as a result of the change in accounting policy. Group liabilities are not reported on a segment basis. The effect of the change in policy at 31 December 2019 is as follows:

	Bricks and Blocks £m	Bespoke Products £m	Total £m
EBITDA	**5.7**	**0.6**	**6.3**
EBIT	**0.4**	**–**	**0.4**
Depreciation	**(5.3)**	**(0.6)**	**(5.9)**
Right-of-use assets	**11.9**	**1.8**	**13.7**

(III) PRACTICAL EXPEDIENTS APPLIED

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 Group companies are eliminated.

(E) FOREIGN CURRENCY TRANSLATION

The 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 presentational currency using the exchange rate prevailing at the date of the 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 performance obligations are met, as follows:

- Bricks and Blocks – On delivery of goods.
- Bespoke Products – On delivery of goods, or, for supply and fit contracts, on delivery and installation. Delivery and installation are construed as two separate performance obligations however the pattern of delivery is in a manner that the obligation is satisfied at the same time as the delivery of products, thus there is no time lag between the two performance obligations and hence revenue is recognised on installation.
- Bill and hold arrangements, for both reporting segments – When the customer obtains control of the goods, which arises when facts and circumstances indicate that control has passed and when all of the following criteria are met: (i) the reason for the arrangement is substantive, (ii) the product has been identified separately as belonging to the customer, (iii) the product is ready for delivery in accordance with the terms of the arrangement, and (iv) the Group does not have the ability to use the product or sell the product to another customer.

The Group provides volume based rebates to certain customers, typically on an annual basis. Revenue is recognised net of rebates paid or accrued.

(G) SEGMENT REPORTING

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

(H) EXCEPTIONAL ITEMS

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 understand better 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 estimated future economic benefit falls below the carrying value of an asset or group of assets, the asset is impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

- Buildings – up to 40 years
- Plant and machinery – 4 to 25 years

Depreciation ceases where plant and machinery ordinarily used in production is idle as a result of the temporary cessation of production at a facility. Where assets are idle for any other reason depreciation continues to be charged in line with the requirements of IAS 16.

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.

Repairs and maintenance expenses do not meet the recognition criteria and are recognised as an expense in the Consolidated Statement of Total Comprehensive Income.

(J) INTANGIBLE ASSETS

(I) GOODWILL

Goodwill arises on the acquisition of businesses, trade and assets where consideration paid exceeds 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

Intangible assets are not amortised if they have an indefinite useful life 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 for all intangible assets, including those internally generated, is charged to administrative expenses within the Consolidated Statement of Total Comprehensive Income on a straight-line basis over the estimated useful lives of the assets. These can be up to seven years for software and up to 30 years for other intangibles.

(IV) RESEARCH AND DEVELOPMENT COSTS

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility to complete the development so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- that the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure development expenditure.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(K) LEASES

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 2 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 December 2018, all leases of property, plant and equipment held at that time, were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group is also recognised. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(I) LEASE LIABILITIES

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities for the Group include the net present value of fixed lease payments due over the lease term. The Group remeasures lease liabilities if there is a change in the cash flows resulting in a change in index or rate used to determine lease payments.

Lease payments are discounted using the interest rate implicit in the lease if readily available. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

(II) RIGHT-OF-USE ASSETS

Right-of-use assets for the Group are measured at cost. This is determined as the initial measurement of the lease liability and the balance of any lease payments made at or before the commencement date.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. At the date of transition this ranged as follows:

- Land and buildings – 8 – 14 years
- Plant, fleet and motor vehicles – 2 – 7 years

(III) SHORT-TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Low-value assets comprise tools, IT-equipment and small items of office equipment. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income.

(L) FINANCIAL INSTRUMENTS

The Group determines the classification of financial assets and financial liabilities at initial recognition.

Allowances for expected credit losses are made based on the risk of non-payment taking into account ageing, previous experience, economic conditions and forward looking data. Such allowances are measured as either 12-month expected credit losses or lifetime expected credit losses depending on changes in the credit quality of the counterparty.

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 an allowance for expected credit losses. Losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. Expected loss allowances 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

(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 the business activities and the financing of those activities. The Group does not use derivative financial instruments for speculative purposes. Forward foreign currency exchange contracts and options were designated hedges in 2019.

(M) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any costs expected to be incurred in production and sale. The Group applies an inventory provision for damaged, obsolete, excess and slow-moving inventory.

Raw materials are measured at the weighted average cost. This method perpetually applies a cost weighting to obtain an average cost of purchased inventory and inventory on hand in proportion to quantity.

Finished goods are measured at standard cost. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(N) PROVISIONS

Provisions are recognised in the Consolidated 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 for rebates are included in accrued liabilities and other payables. Provisions are not made for future operating losses.

(O) 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.

(P) NET FINANCE EXPENSE

(I) FINANCE EXPENSE

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

(II) FINANCE INCOME

Finance income comprises interest receivable on funds invested and foreign exchange gains.

(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 Total Comprehensive Income, unless it relates to items recognised directly in 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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

(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. 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 TRUST

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 are cancelled, reissued or disposed.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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) ACCOUNTING ESTIMATES

(I) PROVISIONS

Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform necessary remediation work at the reporting date. These experts undertake site visits in years where scoping identifies there is a change in operations in the year which could suggest a change in these estimates, or at sites that have not been visited recently. Desktop reviews are undertaken to inform the estimates for other sites. If the cost estimates increased by 10% the value of provisions could change by c.£1.0m. The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment.

The estimation of inflation and discount rates is also considered to be judgemental, and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. Management do not engage third party experts to estimate these rates as they have historically moved in tandem and therefore have not caused a material impact. If the rates did not move in tandem and the spread between them increased by 1% the value of provisions could change by c.£2.4m.

Provisions for product liability, legal claims and carbon emissions obligations are all made based on the best estimate of the likely committed cash outflow, using relevant information available at the reporting date. Management engage third party valuation experts, as appropriate, when material and complex estimates are required.

(B) ACCOUNTING JUDGEMENTS

(I) INVENTORY VALUATION AND PROVISIONING

Inventory carrying value is stated after recognising inventory provisions. The calculation of provisions for the potential inventory obsolescence is assessed with reference to the capping provision. The capping provision uses the level of expected future sales to calculate the provision with the aim of preventing overstocking. The level of expected future sales is based on the past sales data, with manual adjustments made to the calculation for new products; requires a degree of commercial judgement when determining saleability and price of certain finished goods.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

(II) 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 (see 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. Management sensitise value in use models to assess the level of sensitivity to each assumption. Within some individual CGUs reasonably possible changes in assumptions such as a 1% increase in discount rate, decrease in long-term growth rates, or a 10% fall in annual EBITDA could eliminate headroom. In other CGUs headroom is significant under all scenarios.

(III) 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 underlying financial performance of the Group. Management consider the nature, size and incidence of items when judging what should be disclosed separately. In the current year costs associated with an aborted transaction and restructuring within the Group are considered to be exceptional by management.

4 SEGMENTAL REPORTING

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

The Executive Committee considers the business to be split into 3 operating segments: Bricks, Blocks and Bespoke Products. The principal activity of the operating segments are:

- Bricks – Manufacture and sale of bricks to the construction sector
- Blocks – Manufacture and sale of concrete blocks and permeable block paving to the construction sector
- Bespoke Products – Manufacture and sale of bespoke products to the construction sector

The Executive Committee 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 processes, suppliers, customers and distribution methods.

In 2019, the Formpave business was reclassified from the Bespoke Products to the Bricks and Blocks segment after management reorganisation. The segment revenue, results, assets and other information that follows have been restated to reflect this change comparatively across periods.

The Bespoke Products range includes precast concrete (now marketed under the 'Bison Precast' brand), 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, such as 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, are allocated to the segments for reporting purposes using a split of 80% Bricks and Blocks and 20% Bespoke Products. Management considers that this is an appropriate basis for the allocation. This allocation changed in 2019 to reflect the reclassification detailed, and this is reflected in the restatements below (previously the costs were allocated using a split of 75% Bricks and Blocks and 25% Bespoke Products).

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 complementary building products.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4 SEGMENTAL REPORTING CONTINUED

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

SEGMENT REVENUE AND RESULTS:

		2019		
	Notes	Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		279.1	103.5	382.6
Intersegment eliminations				(2.6)
Revenue				380.0
EBITDA before exceptional items		80.4	2.3	82.7
Depreciation and amortisation	14,15,27	(15.0)	(2.7)	(17.7)
Operating profit before exceptional items		65.4	(0.4)	65.0
Allocated exceptional items		(3.3)	(0.3)	(3.6)
Unallocated exceptional items				(0.7)
Operating profit				60.7
Net finance expense	10			(2.5)
Profit before tax				58.2

SEGMENT ASSETS:

		2019		
	Notes	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	15	148.6	34.0	182.6
Intangible assets	14	16.6	1.6	18.2
Right-of-use assets	27	11.9	1.8	13.7
Inventories	16	41.5	6.3	47.8
Segment assets		218.6	43.7	262.3
Unallocated assets				67.0
Total assets				329.3

Property, plant and equipment, intangible assets, right-of-use assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables and cash and cash equivalents are centrally controlled and unallocated.

OTHER SEGMENT INFORMATION:

		2019		
	Notes	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment additions	15	19.7	3.4	23.1
Intangible asset additions	14	1.5	0.2	1.7
Right-of-use asset additions	27	4.2	1.2	5.4

CUSTOMERS REPRESENTING 10% OR GREATER OF REVENUES WERE AS FOLLOWS:

	2019		
	Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	40.3	1.9	42.2
Customer B	36.2	2.9	39.1

4 SEGMENTAL REPORTING CONTINUED

SEGMENT REVENUE AND RESULTS:

	Notes	2018 (Restated) Bricks and Blocks £m	Bespoke Products £m	Total £m
Segment revenue		277.5	92.2	369.7
Intersegment eliminations				(2.2)
Revenue				367.5
EBITDA		75.8	3.0	78.8
Depreciation and amortisation	14,15	(9.4)	(2.3)	(11.7)
Operating profit		66.4	0.7	67.1
Net finance expense	10			(2.3)
Profit before tax				64.8

SEGMENT ASSETS:

	Notes	2018 (Restated) Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	15	137.6	32.9	170.5
Intangible assets	14	15.4	1.9	17.3
Inventories	16	31.5	5.9	37.4
Segment assets		184.5	40.7	225.2
Unallocated assets				63.9
Total assets				289.1

Property, plant and equipment, intangible assets and inventories are allocated to segments and considered when appraising segment performance. Trade and other receivables and cash and cash equivalents are centrally controlled and unallocated.

OTHER SEGMENT INFORMATION:

	Notes	2018 (Restated) Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment additions	15	15.3	1.3	16.6
Intangible asset additions	14	1.8	0.4	2.2

CUSTOMERS REPRESENTING 10% OR GREATER OF REVENUES WERE AS FOLLOWS:

	2018 (Restated) Bricks and Blocks £m	Bespoke Products £m	Total £m
Customer A	46.6	2.1	48.7
Customer B	35.6	0.6	36.2

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5 OPERATING PROFIT
PROFIT FROM OPERATIONS IS STATED AFTER CHARGING:

	Notes	2019 £m	2018 £m
Depreciation and amortisation	14,15,27	**(17.7)**	(11.7)
Lease expense	27	**(2.1)**	(8.2)
Share-based payments	28	**(1.5)**	(2.1)

Depreciation and amortisation in the current year includes depreciation on right-of-use assets recognised through IFRS 16. Operating lease expenses for 2019 relate to short-term leases and leases of low-value assets outside of the scope of IFRS 16, as detailed within note 27.

6 AUDITOR REMUNERATION
AUDIT SERVICES:

	2019 £m	2018 £m
Fees payable for the audit of the Company and Consolidated Financial Statements	**(0.1)**	(0.1)
Fees payable for the audit of the subsidiary Financial Statements	**(0.3)**	(0.2)
	(0.4)	(0.3)

7 OTHER OPERATING INCOME

	2019 £m	2018 £m
Profit on sale of property, plant and equipment	**–**	0.2
Other income	**0.7**	1.5
	0.7	1.7

The other income balance contains amounts relating to rental income, revenue from waste contracts, insurance settlements and operating cost movements in the Group's restoration and decommissioning provisions.

8 EMPLOYMENT COSTS
EMPLOYMENT COSTS FOR THE GROUP DURING THE YEAR

	2019 £m	2018 £m
Wages and salaries	**(81.5)**	(79.1)
Pension costs	**(6.1)**	(5.8)
Social security costs	**(7.8)**	(7.2)
Share-based payments	**(1.5)**	(2.1)
	(96.9)	(94.2)

The total share-based payment cost in the year includes national insurance contributions of £0.2m (2018: £0.2m).

AVERAGE NUMBER OF EMPLOYEES

	2019	2018
Administration	**227**	225
Production and distribution	**1,721**	1,680
	1,948	1,905

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 some members of the senior management.

9 EXCEPTIONAL ITEMS

	2019 £m	2018 £m
Restructuring costs	**(3.6)**	–
Aborted transaction costs	**(0.7)**	–
	(4.3)	–

The Group incurred exceptional expenses of £4.3m in 2019. £3.6m of this relates to restructuring, of which the largest element relates to the Group's Fletton brick facility near Peterborough where plans were announced to reduce the workforce by approximately 50 individuals.

In addition to the restructuring costs, exceptional costs totalling £0.7m were also incurred in respect of an acquisition which was not completed.

10 NET FINANCE EXPENSE

	2019 £m	2018 £m
Interest payable on external borrowings	**(2.0)**	(2.2)
Interest payable on lease liabilities	**(0.4)**	–
Other finance expense	**(0.1)**	(0.1)
	(2.5)	(2.3)

11 TAXATION

	Notes	2019 £m	2018 £m
Current tax			
UK corporation tax on profit for the year		**(9.4)**	(11.7)
Prior year adjustment on UK corporation tax		**(0.5)**	0.2
Total current tax		**(9.9)**	(11.5)
Origination and reversal of temporary differences	25	**(2.0)**	(0.7)
Effect of change in tax rates	25	**–**	0.1
Effect of prior period adjustments	25	**0.5**	0.1
Total deferred tax		**(1.5)**	(0.5)
Income tax expense		**(11.4)**	(12.0)

	2019 £m	2018 £m
Profit on ordinary activities before tax	**58.2**	64.8
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	**(11.1)**	(12.3)
Effects of:		
Change in tax rate	**–**	0.1
Expenses not deductible for tax purposes	**(0.3)**	(0.1)
Prior period adjustments	**–**	0.3
Income tax expense	**(11.4)**	(12.0)

The main rate of UK corporation tax for 2019 is 19.0%, which was effective from 1 April 2017.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

12 DIVIDENDS

AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE YEAR:

	2019 £m	2018 £m
Interim dividend of 4.0p per share (2018: 3.3p)	**(7.8)**	(6.6)
Final dividend of 7.2p per share in respect of prior year (2018: 6.4p)	**(14.2)**	(12.7)
	(22.0)	(19.3)

The Directors are proposing a final dividend for 2019 of 7.5p per share, making a total payment for the year of 11.5p (2018: 10.5p).

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

	Notes	2019 £m	2018 £m
Operating profit for the year		**60.7**	67.1
Finance expense	10	**(2.5)**	(2.3)
Profit before taxation		**58.2**	64.8
Tax charge	11	**(11.4)**	(12.0)
Profit for the year		**46.8**	52.8
Weighted average number of shares (millions)		**196.6**	199.2
Effect of share incentive awards and options (millions)		**0.8**	3.1
Diluted weighted average number of ordinary shares (millions)		**197.4**	202.3

EARNINGS PER SHARE:

Basic (in pence)	**23.8**	26.5
Diluted (in pence)	**23.7**	26.1
Basic earnings per share before exceptional items (in pence)	**25.6**	26.5

Earnings per share (EPS) before exceptional items is presented as an additional performance measure and is calculated by excluding the exceptional charge of £4.3m in 2019 and the associated tax effect (the effective tax rate before the impact of exceptional items was 19.3%).

14 INTANGIBLE ASSETS

	Goodwill £m	Brand £m	Other intangibles £m	Total £m
Cost				
At 1 January 2019	**406.5**	**11.1**	**17.9**	**435.5**
Additions	**–**	**–**	**1.7**	**1.7**
Disposals	**–**	**–**	**–**	**–**
At 31 December 2019	**406.5**	**11.1**	**19.6**	**437.2**
Accumulated amortisation and impairment				
At 1 January 2019	**(399.7)**	**(4.7)**	**(13.8)**	**(418.2)**
Charge for the year	**–**	**–**	**(0.8)**	**(0.8)**
Disposals	**–**	**–**	**–**	**–**
At 31 December 2019	**(399.7)**	**(4.7)**	**(14.6)**	**(419.0)**
Net book value at 31 December 2019	**6.8**	**6.4**	**5.0**	**18.2**
Net book value at 1 January 2019	**6.8**	**6.4**	**4.1**	**17.3**

14 INTANGIBLE ASSETS CONTINUED

	Goodwill £m	Brand £m	Other intangibles £m	Total £m
Cost				
At 1 January 2018	406.5	11.1	16.3	433.9
Additions	–	–	2.2	2.2
Disposals	–	–	(0.6)	(0.6)
At 31 December 2018	406.5	11.1	17.9	435.5
Accumulated amortisation and impairment				
At 1 January 2018	(399.7)	(4.7)	(13.7)	(418.1)
Charge for the year	–	–	(0.6)	(0.6)
Disposals	–	–	0.5	0.5
At 31 December 2018	(399.7)	(4.7)	(13.8)	(418.2)
Net book value at 31 December 2018	6.8	6.4	4.1	17.3
Net book value at 1 January 2018	6.8	6.4	2.6	15.8

The carrying value of goodwill relates to the trades of Formpave and Bison Precast, CGUs within the Bricks and Blocks and Bespoke Products reportable segments respectively. The brand category comprises the acquired Thermalite and Bison Precast brands, components of the Bricks and Blocks and Bespoke Products reportable segments respectively.

The other intangibles category consists of clay 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 systems.

IMPAIRMENT OF INTANGIBLE ASSETS

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The goodwill balance of £6.8m (2018: £6.8m) relates to the Formpave and Bison Precast CGUs allocated to the Bricks and Blocks and Bespoke Products reportable segments respectively. Intangible assets with indefinite useful lives consist of the Thermalite brand which is allocated to the Aircrete blocks CGUs within the Brick and Block reportable segment and the Bison Precast brand which is allocated to the Bespoke products segment when undertaking annual impairment tests. The Group estimates recoverable amount 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 and EBITDA in the models are based on management's past experience and future expectations of performance. Maintenance CAPEX is based on planned levels in the short term and recent trends in the longer-term. A pre-tax discount rate, 9.5% in 2019 (2018: 10.3%) has been derived from a WACC calculation and benchmarked against similar organisations operating within the sector and used to discount cash flows. Short-term growth rates vary by CGU and are based on management's past experience and expectations of future market performance. These growth rates were between minus 5% and 14% in 2019 (2018: 4.0% and 12.5%).

Terminal growth rates of 2% for 2018 (2018: 2%), is consistent across CGUs and reflect management's past experience, expectations of future market performance, longer-term industry forecasts and inflationary expectations.

Included in software additions is £0.2m (2018: £0.2m) of own work capitalised.

The recoverable amounts in respect of goodwill and indefinite life intangibles, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment has been recognised in 2019 (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2019	**141.2**	**231.4**	**372.6**
Asset reclasses	**1.3**	**(1.3)**	**–**
Additions	**13.8**	**9.3**	**23.1**
Disposals	**(0.1)**	**(0.7)**	**(0.8)**
At 31 December 2019	**156.2**	**238.7**	**394.9**
Accumulated depreciation and impairment			
At 1 January 2019	**(49.8)**	**(152.3)**	**(202.1)**
Charge for the year	**(2.2)**	**(8.8)**	**(11.0)**
Disposals	**0.1**	**0.7**	**0.8**
At 31 December 2019	**(51.9)**	**(160.4)**	**(212.3)**
Net book value at 31 December 2019	**104.3**	**78.3**	**182.6**
Net book value at 1 January 2019	**91.4**	**79.1**	**170.5**

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 January 2018	134.1	238.8	372.9
Asset reclasses	0.5	(0.5)	–
Additions	6.8	9.8	16.6
Disposals	–	(16.7)	(16.7)
Changes in the value of decommissioning assets	(0.2)	–	(0.2)
At 31 December 2018	141.2	231.4	372.6
Accumulated depreciation and impairment			
At 1 January 2018	(47.4)	(160.3)	(207.7)
Asset reclasses	(0.4)	0.4	–
Charge for the year	(2.1)	(9.0)	(11.1)
Disposals	–	16.6	16.6
Changes in the value of decommissioning assets	0.1	–	0.1
At 31 December 2018	(49.8)	(152.3)	(202.1)
Net book value at 31 December 2018	91.4	79.1	170.5
Net book value at 1 January 2018	86.7	78.5	165.2

Land and buildings comprise sites used for administration, distribution, manufacturing and mineral extraction. Each asset is used to generate operating cash flows and rates of depreciation reflect this use.

Quarries and manufacturing facilities are classified under land and buildings. Quarrying enables manufacturing and is not carried out for any other economic purpose. The two are therefore not considered to be distinct.

Included within property, plant and equipment are assets under the course of construction of £15.5m (2018: £3.4m), comprising £13.9m (2018: £0.4m) for land and buildings and £1.6m (2018: £3.0m) for plant and machinery.

16 INVENTORIES

	2019 £m	2018 £m
Raw materials	**7.4**	5.6
Work in progress	**2.0**	1.9
Finished goods	**35.9**	28.2
Other inventory	**2.5**	1.7
	47.8	37.4

Costs relating to raw materials and consumables included in cost of sales during the year was £84.6m (2018: £76.1m). Employment expenses within cost of sales totalled £70.2m (2018: £66.5m).

Write downs of inventories recognised as an expense in the year were £0.7m (2018: £1.0m). Reversals of previous inventory write downs in the period were £0.5m (2018: £1.3m).

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

17 TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Trade receivables	**37.6**	35.6
Other receivables	**0.1**	0.7
Prepayments	**2.7**	1.6
	40.4	37.9

THE AGEING PROFILE OF TRADE RECEIVABLES IS:

	2019 £m	2018 £m
Trade receivables not yet due	**28.1**	23.7
1 to 30 days past due	**6.7**	7.6
31 to 60 days past due	**1.5**	1.8
61 to 90 days past due	**0.2**	0.9
Over 90 days past due	**1.1**	1.6
	37.6	35.6

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. Procedures are in place to ensure that customer credit worthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Provisions for impairment are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk. An analysis of provision movement is as follows:

	2019 £m	2018 £m
Balance at the beginning of the year	**1.0**	1.0
Release of provision	**(0.3)**	–
Written off	**–**	–
	0.7	1.0

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18 CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash at bank and in hand	**26.6**	26.0
	26.6	26.0

Cash at bank and in hand is held in Pounds Sterling and Euros. As at 31 December 2019, £2.0m was held in Euros (2018: £0.1m), the remaining £24.6m (2018: £25.9m) was held in Pounds Sterling.

19 TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Trade payables	**39.4**	38.9
Payroll tax and other statutory liabilities	**5.5**	6.8
Accrued liabilities and other payables	**26.6**	26.3
	71.5	72.0

20 LOANS AND BORROWINGS

	2019 £m	2018 £m
Non-current loans and borrowings		
External bank loans – Revolving Credit Facility	**70.0**	65.0
– unamortised debt issue costs	**(0.3)**	(0.5)
	69.7	64.5
Current loans and borrowings		
External bank loans – interest	**0.1**	0.3
	0.1	0.3
	69.8	64.8

Since 27 July 2017 the Group has had access to a five-year revolving credit facility of £150m and an accordion facility of £50m with a group of leading banks. This facility is in place until July 2022.

Interest is payable on amounts drawn down under the agreement at a rate of LIBOR plus a variable margin ranging from 1.25% to 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.

A reconciliation of liabilities arising from financing activities (excluding lease liabilities which are detailed within note 27) has been detailed below:

	2018 £m	Cash flow £m	Interest charge £m	Amortisation of issue costs £m	2019 £m
Non-current loans and borrowings					
– Revolving credit facility	65.0	5.0	–	–	**70.0**
– Unamortised debt issue costs	(0.5)	–	–	0.2	**(0.3)**
Current loans and borrowings					
– Interest	0.3	(2.0)	1.8	–	**0.1**
	64.8	**3.0**	**1.8**	**0.2**	**69.8**

21 NET DEBT

THE ANALYSIS OF NET DEBT IS AS FOLLOWS:

	Notes	2019 £m	2018 £m
Cash and cash equivalents	18	**26.6**	26.0
External bank loans	20	**(69.8)**	(64.8)
Lease liabilities	27	**(14.1)**	–
		(57.3)	(38.8)

22 RECONCILIATION OF NET CASH FLOW TO NET DEBT

	2019 £m	2018 £m
Operating cash flow before exceptional items	**64.9**	79.8
Payments made in respect of exceptional items	**(1.1)**	–
Cash generated from operating activities after exceptional items	**63.8**	79.8
Interest paid	**(2.4)**	(2.2)
Tax paid	**(8.8)**	(11.8)
Net cash used in investing activities	**(24.3)**	(18.4)
Dividends paid	**(22.0)**	(19.3)
Purchase of shares by Employee Benefit Trust	**(9.7)**	(6.1)
Proceeds from sale of shares by Employee Benefit Trust	**4.9**	–
Lease liabilities recognised on adoption of IFRS 16	**(14.6)**	–
New lease liabilities	**(5.4)**	–
(Increase)/decrease in net debt	**(18.5)**	22.0
Net debt at the start of the period	**(38.8)**	(60.8)
Net debt at the end of the period	**(57.3)**	(38.8)

23 FINANCIAL INSTRUMENTS

	Notes	2019 £m	2018 £m
Financial assets at amortised cost			
Cash and cash equivalents	18	**26.6**	26.0
Trade and other receivables (excluding prepayments)	17	**37.7**	36.3
		64.3	62.3

	Notes	2019 £m	2018 £m
Financial liabilities at amortised cost			
Trade and other payables (excluding non-financial liabilities)	19	**66.0**	65.2
Loans and borrowings	20	**69.8**	64.8
Lease liabilities	27	**14.1**	–
		149.9	130.0

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 also derived directly from operations, however loans and borrowings, lease liabilities and derivative liabilities are arranged periodically to finance operating and investing activities.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

23 FINANCIAL INSTRUMENTS CONTINUED

CAPITAL MANAGEMENT

The Group manages capital (being loans and borrowings, cash and cash equivalents and equity) to ensure a sufficiently strong capital base to support the Group remaining a going concern, maintain investor and creditor confidence, provide a basis for future development of the business and maximise the return to stakeholders.

The Group manages its loans and borrowings to ensure continuity of funding. A key objective is to ensure compliance with the covenants set out in the Group's bank facility agreements.

In managing capital the Group may purchase its own shares on the open market. These purchases meet the Group's obligation to employees under the Group's share-based payment schemes.

There has been no change in the objectives, policies or processes with regard to capital management during the years ended 31 December 2018 and 31 December 2019.

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk. The Group uses derivative financial instruments to periodically manage risks if it is judged to be prudent. The risk management framework governing the management of these and all other business risks is set by the Board.

FOREIGN EXCHANGE RISK

The functional and presentational currency of the Group is Pounds Sterling although some transactions are executed in Euros and US Dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against Pounds Sterling. 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 applied.

PRINCIPAL RATE OF EXCHANGE: EURO/STERLING

	2019 £m	2018 £m
Period end	**1.18**	1.11
Average	**1.14**	1.13

INTEREST RATE RISK

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

A sensitivity analysis has been performed based on the exposure to interest rates at the balance sheet date. Based on the borrowings drawn down in 2019, a 1.0% increase or decrease in interest rates, with all other variables held constant, would increase or decrease profit before taxation for the year ended 31 December 2019 by £0.7m.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances (including bank deposits and cash and cash equivalents) and credit exposure to customers through trade and other receivables. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are impaired when there is no reasonable expectation of recovery.

To dilute and mitigate the financial credit risk associated with cash balances the Group deposits cash and cash equivalents with multiple highly rated counterparties.

Credit risk associated with trade receivables results from normal commercial operations. Procedures are in place to ensure that customer credit worthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Trade and other receivables are stated net of management estimated expected credit losses.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low. Impairments in the period were less than £0.1m (2018: less than £0.1m).

23 FINANCIAL INSTRUMENTS CONTINUED

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 Executive Committee on liquidity and the sources of cash flow performance and forecasts at Executive Committee 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 £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Greater than 5 years £m	Total £m
2019							
Trade and other payables (excluding non-financial liabilities)	**66.0**	**–**	**–**	**–**	**–**	**–**	**66.0**
Loans and borrowings	**1.7**	**1.7**	**71.0**	**–**	**–**	**–**	**74.4**
Lease liabilities	**5.4**	**3.4**	**2.3**	**1.4**	**0.8**	**1.7**	**15.0**
	73.1	**5.1**	**73.3**	**1.4**	**0.8**	**1.7**	**155.4**

	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Greater than 5 years £m	Total £m
2018							
Trade and other payables (excluding non-financial liabilities)	65.2	–	–	–	–	–	65.2
Loans and borrowings	1.7	1.8	1.7	66.0	–	–	71.2
	66.9	1.8	1.7	66.0	–	–	136.4

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

24 PROVISIONS

	Restoration and Decommissioning £m	Other £m	Total £m
At 1 January 2019	**11.1**	**1.5**	**12.6**
Charged/(credited) to the Consolidated Statement of Total Comprehensive Income:			
– Additional provisions	**0.1**	**2.7**	**2.8**
– Release of provisions	**–**	**(1.0)**	**(1.0)**
– Utilised amounts	**(0.1)**	**(2.0)**	**(2.1)**
– Unwind of discount	**0.1**	**–**	**0.1**
At 31 December 2019	**11.2**	**1.2**	**12.4**

Analysed as:

	2019 £m	2018 £m
Non-current	**8.1**	8.4
Current	**4.3**	4.2
	12.4	12.6

All non-current provisions are discounted at a rate of 2.65% (2018: 2.65%).

The total provisions balance is made up of provisions for restoration and decommissioning, carbon emissions, dilapidation and defective materials.

The unwind of discount in the period is shown as a finance expense.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

24 PROVISIONS CONTINUED

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. Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform any necessary remediation work at the reporting date. The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Estimates of appropriate inflation and discount rates can also be judgemental, and can have a significant impact on net present value. Management reference information from the Bank of England when making such estimates. 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 61 years.

The impact of changes in discount rate and inflation rates on the provision at year-end was £nil (2018: £nil).

25 DEFERRED TAX

The analysis of deferred tax liabilities is as follows:

	2019 £m	2018 £m
Deferred tax liabilities to be incurred after more than 12 months	**(1.8)**	(1.6)
	(1.8)	(1.6)

The movement in deferred tax assets/(liabilities) is as follows:

	Fixed assets £m	Provisions £m	Intangible assets £m	Share-based payments £m	Land £m	IFRS 16 transitional adjustment £m	Total £m
Deferred tax assets/(liabilities):							
At 1 January 2018	(2.8)	2.0	(0.7)	0.8	(0.1)	–	(0.8)
Effect of prior period adjustment	0.1	–	–	–	–	–	0.1
(Charged)/credited to Consolidated Statement of Total Comprehensive Income	(0.8)	(0.2)	–	0.3	–	–	(0.7)
Effect of changes in tax rates	0.1	–	–	–	–	–	0.1
Tax on items taken directly to equity	–	–	–	(0.3)	–	–	(0.3)
At 31 December 2018	(3.4)	1.8	(0.7)	0.8	(0.1)	–	(1.6)
Effect of prior period adjustment	**0.2**	**0.2**	**–**	**0.1**	**–**	**–**	**0.5**
Charged to Consolidated Statement of Total Comprehensive Income	**(0.8)**	**–**	**–**	**(1.1)**	**–**	**(0.1)**	**(2.0)**
Effect of changes in tax rates	**0.1**	**–**	**–**	**(0.1)**	**–**	**–**	**–**
Tax on items taken directly to equity	**–**	**–**	**–**	**1.1**	**–**	**0.2**	**1.3**
At 31 December 2019	**(3.9)**	**2.0**	**(0.7)**	**0.8**	**(0.1)**	**0.1**	**(1.8)**

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.

26 SHARE CAPITAL AND RESERVES

SHARE CAPITAL

	2019 £m	2018 £m
Allotted, called up and fully paid		
200,442,068 ordinary shares of £0.01 each	**2.0**	2.0
	2.0	2.0

RESERVE FOR OWN SHARES

Own shares represent the cost of Forterra plc shares purchased in the market and held by employee benefit trusts to satisfy the future exercise of options under the Group's share option schemes. At 31 December 2019, two Trusts were in place and consolidated within the Group Financial Statements.

The first Trust holds 260,347 ordinary shares (2018: 401,903), issued in 2016 at nominal value in respect of the free share award made to all employees in service at 25 May 2016. There is no monetary impact of these shares to the Consolidated Statement of Changes in Equity in the periods presented.

The second Trust holds 1,271,844 (2018: 2,041,938) shares at an average cost of 284p per share (2018: 279p). The market value of these shares at 31 December 2019 was £4.4m (2018: £4.6m). These shares are reflected within the Reserve for Own Shares within the Consolidated Statement of Changes in Equity.

27 LEASES

The Group leases various premises, land, fleet vehicles, cars and plant and equipment. With the exception of land and property leases, contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis, and terms and conditions can vary.

In addition, the Group also leases machinery on short-term leases (less than 12 months) and office equipment of low financial value. These leases are recognised on a recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land and Buildings £m	Plant and machinery £m	Total £m
At 1 January 2019	**3.7**	**10.5**	**14.2**
Additions	**0.5**	**4.9**	**5.4**
Depreciation expense	**(0.6)**	**(5.3)**	**(5.9)**
At 31 December 2019	**3.6**	**10.1**	**13.7**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 £m
At 1 January	**(14.6)**
Additions	**(5.4)**
Interest	**(0.4)**
Payments	**6.3**
At 31 December	**(14.1)**
Analysed as:	
Current	**(5.1)**
Non-current	**(9.0)**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27 LEASES CONTINUED

The following are the amounts recognised in profit or loss:

	2019 £m
Depreciation expense on right-of-use assets	**5.9**
Interest expense on lease liabilities	**0.4**
Expense relating to short-term leases	**2.1**
	8.4

Leases of low financial value for the year ended 31 December 2019 were less than £0.1m.

During the year ended 31 December 2019, the Group did not hold any lease contracts with variable payment terms.

The Group has several land and property lease contracts that include termination options, known as 'break clauses'. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these clauses are reasonably certain to be exercised. At 31 December 2019, the Group has determined it is unlikely any break clause would be exercised, and full lease terms have been considered within the present value calculations.

A reconciliation of liabilities arising from financing activities in relation to leases has been detailed below:

	On adoption of IFRS 16 £m	Cash flow £m	Interest charge £m	New lease liabilities £m	2019 £m
Lease liabilities	14.6	(6.3)	0.4	5.4	**14.1**
	14.6	**(6.3)**	**0.4**	**5.4**	**14.1**

28 SHARE-BASED PAYMENT ARRANGEMENTS

Total cost of share schemes:

	2019 £m	2018 £m
Share Incentive Plan (SIP)	**–**	0.2
Performance Share Plan (PSP)	**0.5**	0.9
Deferred Annual Bonus Plan (DABP)	**–**	0.1
Sharesave Plan (SAYE)	**1.0**	0.9
	1.5	2.1

The total cost of share schemes in the year includes national insurance contributions of £0.2m (2018: £0.2m).

SUMMARY OF SHARE OPTION AND SHARE AWARD ARRANGEMENTS

The Group offers a number of share option and share awards and options to its employees, all of which are equity-settled (although the rules of the PSP and DABP allow for cash settlement in exceptional circumstances).

SHARE AWARDS

SHARE INCENTIVE PLAN (SIP)

On 25 May 2016, 442,068, deferred free shares were awarded to all employees in service at this date. Shares to the value of £500 were issued which vested in May 2019, three years after the date of grant, subject to a three-year service condition. Unexercised shares are held by the Employee Benefit Trust on behalf of the Group's employees and detailed within Note 26.

SHARE OPTIONS

PERFORMANCE SHARE PLAN (PSP)

Performance based awards granted to the Executive Directors and designated senior management which vest three years after the date of grant at 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 TSR and EPS conditions, each weighted 50%. In addition to this, a holding period applies to vested PSP awards for the Executive Directors of Forterra plc, under which they are required to retain the number of vested awards, net of tax, for at least two years from the date of vesting.

28 SHARE-BASED PAYMENT ARRANGEMENTS CONTINUED

DEFERRED ANNUAL BONUS PLAN (DABP)

Following the Group's IPO, deferred annual bonus awards were granted to designated senior management which vested in April 2018 dependent on a two year service condition being met.

Additionally, a portion of the Executive Directors' annual bonus award is deferred into shares under a DABP, with a deferral period of three years. These awards are accrued as a bonus in the year to which they relate and are converted into deferred share awards after the year-end. During 2019 £0.2m has been removed from accruals and recognised directly within equity to reflect grants made under this scheme in relation to 2018 bonuses. At 31 December 2019, no accrual (2018: £0.2m) has been recorded for the award relating to the bonus earned for the year ending 31 December 2019.

SHARESAVE (SAYE)

HM Revenue and Customs approved scheme available to all employees with schemes offered annually since 2016. Employees make monthly contributions of up to £500 per month into a linked savings account and these may be exchanged three years from each grant date for shares at an option price discounted by 20% from the offer date.

The aggregate number of share awards outstanding for the Group is shown below:

	PSP Number of options	DABP Number of options	SAYE Number of options
Outstanding at 1 January 2018	1,256,013	243,767	5,823,011
Awards granted	658,599	76,990	891,902
Awards exercised	–	(105,030)	(10,994)
Awards lapsed/forfeited	67,164	–	(329,134)
Outstanding at 31 December 2018	1,847,448	215,727	6,374,785
Awards granted	733,091	61,120	2,031,353
Awards exercised	(377,361)	(27,574)	(3,735,484)
Awards lapsed/forfeited	(376,134)	–	(321,479)
Outstanding at 31 December 2019	1,827,044	249,273	4,349,175

Share options outstanding at the end of the year have/had the following vesting dates:

	2019
PSP	
26 April 2019	**22,816**
15 April 2020	**613,714**
28 March 2021	**561,958**
29 March 2022	**628,556**
DABP	
26 April 2019	**34,940**
15 March 2020	**76,223**
14 March 2021	**76,990**
12 March 2022	**61,120**
SAYE	
01 December 2019	**507,154**
01 December 2020	**1,034,255**
01 December 2021	**776,413**
01 March 2022	**2,031,353**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

28 SHARE-BASED PAYMENT ARRANGEMENTS CONTINUED

The fair value per option granted in year has been calculated using the following assumptions:

Date of Grant	PSP (Performance and service condition) 29 March 2019	PSP (Executive Directors holding period) 29 March 2019	DABP (Service condition) 29 March 2019	SAYE (Service condition) 2 October 2019
Option pricing model	Monte Carlo & Black–Scholes	Chaffe	Black–Scholes	Black–Scholes
Share price on grant date (p)	294.50	294.50	294.50	281.00
Exercise price (p)	1.00	–	1.00	222.00
Expected volatility	31.96%	24.68%	31.96%	30.96%
Vesting period (years)	3.0	2.0	2.95	3.16
Expected option life to exercise	3.0	2.0	2.95	3.41
Expected dividend yield	–	–	–	3.99%
Risk-free interest rate	0.62%	0.71%	0.62%	0.31%
Fair value per option (p)	231.00[1]	215.00[1]	294.00	66.00

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 both years has been derived as the median volatility of companies within the comparator index that have been listed for the commensurate length of time.

1. Average fair value for the TSR and EPS conditions for the Performance Share Plan.

29 RELATED PARTY TRANSACTIONS

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 Executive Committee fall within this category.

	2019 £m	2018 £m
Emoluments including taxable benefits	**(2.4)**	(2.8)
Share-based payments	**(0.5)**	(0.7)
Pension and other post-employment benefits	**(0.2)**	(0.2)
	(3.1)	(3.7)

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans appear in the Annual Report on Remuneration within pages 72 to 85.

In addition to the above, gains arising on LTIPs that have vested and been exercised in the year by Executive Directors amounted to £0.9m (2018: £nil).

COMPANY BALANCE SHEET
AT 31 DECEMBER 2019

	Note	2019 £m	2018 £m
Fixed assets			
Investment in subsidiary	6	**306.8**	305.6
Deferred tax asset	7	**0.4**	0.2
		307.2	305.8
Current assets			
Amounts due from Group undertakings	8	**59.2**	17.8
Total assets		**366.4**	323.6
Current liabilities			
Creditors – amounts falling due within one year	9	**(0.8)**	(0.4)
Amounts due to Group undertakings	9	**(68.0)**	(41.5)
		(68.8)	(41.9)
Net current liabilities		**(9.6)**	(24.1)
Total assets less current liabilities		**297.6**	281.7
Net assets		**297.6**	281.7
Capital and reserves			
Ordinary shares	10	**2.0**	2.0
Own share reserve	10	**(3.6)**	(5.8)
Retained earnings		**299.2**	285.5
Total equity		**297.6**	281.7

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 year ended 31 December 2019 was £40.9m (2018: £0.1m).

The notes on pages 129 to 131 are an integral part of these Financial Statements.

Approved by the Board of Directors on 10 March 2020 and signed on their behalf by:

Stephen Harrison
Chief Executive Officer

Ben Guyatt
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £m	Reserve for own shares £m	Retained earnings £m	Total equity £m
Balance at 1 January 2018	**2.0**	**–**	**302.6**	**304.6**
Total comprehensive profit for the year	–	–	0.1	0.1
Dividends paid	–	–	(19.3)	(19.3)
Purchase of shares by Employee Benefit Trust	–	(6.1)	–	(6.1)
Share-based payments charge	–	–	2.4	2.4
Share-based payments exercised	–	0.3	(0.3)	–
Balance at 31 December 2018	**2.0**	**(5.8)**	**285.5**	**281.7**
Total comprehensive profit for the year	–	–	40.9	40.9
Dividends paid	–	–	(22.0)	(22.0)
Purchase of shares by Employee Benefit Trust	–	(9.7)	–	(9.7)
Proceeds from sale of shares by Employee Benefit Trust	–	4.9	–	4.9
Share-based payments charge	–	–	1.5	1.5
Share-based payments exercised	–	7.0	(7.0)	–
Tax on share-based payments	–	–	0.3	0.3
Balance at 31 December 2019	**2.0**	**(3.6)**	**299.2**	**297.6**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 GENERAL BACKGROUND

Forterra plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The registered office is 5 Grange Park Court, Roman Way, Northampton NN4 5EA, England.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

The separate 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 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 year ended 31 December 2019 was £40.9m (2018: £0.1m).

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 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.

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 and amounts due from Group undertakings 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 Group undertakings and 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

2 ACCOUNTING POLICIES CONTINUED

(D) SHARE-BASED PAYMENTS

The Company operates a number of equity-settled share-based compensation plans, under which the Company receive 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 estimates 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 account, 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 TRUST

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 are cancelled, reissued or disposed.

(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 the 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 Financial Statements.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

IMPAIRMENT OF INVESTMENTS

The Directors periodically review 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 year ended 31 December 2019.

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 72 to 85 and includes the amounts received or receivable by each Director in the year. The long-term incentives as detailed on pages 74 and 75 were recognised in the Company profit and loss account as an expense over the three year period to which the awards relate. The Company recognised a charge of £0.3m (2018: £0.5m) in relation to share-based payments for the year.

5 DIVIDENDS

AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE YEAR

	2019 £m	2018 £m
Interim dividend of 4.0p per share (2018: 3.3p)	**(7.8)**	(6.6)
Final dividend of 7.2p per share in respect of prior year (2018: 6.4p)	**(14.2)**	(12.7)
	(22.0)	(19.3)

The Directors are proposing a final dividend for 2019 of 7.5p per share, making a total payment for the year of 11.5p (2018: 10.5p).

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

6 INVESTMENT IN SUBSIDIARY

	2019 £m	2018 £m
Balance as at 1 January	**305.6**	304.2
Capital contribution relating to share-based payments	**1.2**	1.4
Balance as at 31 December	**306.8**	305.6

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 & Wales	Ordinary £0.01	Direct	100%
Forterra Building Products Limited	England & Wales	Ordinary £0.01	Indirect	100%

The address of the registered office of both is 5 Grange Park Court, Roman Way, Northampton NN4 5EA, England.

7 DEFERRED TAX

	2019 £m	2018 £m
Deferred tax assets to be recovered after more than 12 months	**0.4**	0.2
	0.4	0.2

8 CURRENT ASSETS

	2019 £m	2018 £m
Amounts due from Group undertakings	**59.2**	17.8
	59.2	17.8

Amounts due from Group undertakings are non-interest bearing, unsecured and repayable on demand.

9 CURRENT AND NON-CURRENT LIABILITIES

	2019 £m	2018 £m
Amounts due to Group undertakings	**68.0**	41.5
Creditors – amounts falling due within one year	**0.8**	0.4
	68.8	41.9

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

10 CAPITAL AND RESERVES

	2019		2018	
	Number	£m	Number	£m
Ordinary shares of £0.01 each	**200,442,068**	2.0	200,442,068	2.0
	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 and reserve for own shares are set out in note 26 of the Consolidated Financial Statements.

11 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 29 to the Consolidated Financial Statements Remuneration to key management personnel has been disclosed within note 29 to the Consolidated Financial Statements.

GROUP FIVE-YEAR SUMMARY

12 CONTROLLING PARTY

Forterra plc is not under the control of an ultimate controlling party.

Five year summary	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	**380.0**	367.5	331.0	294.5	290.2
EBITDA (before exceptional items)	**82.7**	78.8	75.4	70.6	70.5
Operating profit (before exceptional items)	**65.0**	67.1	64.5	60.2	61.1
Profit before tax (before exceptional items)	**62.5**	64.8	61.1	46.0	33.8
Profit before tax (statutory)	**58.2**	64.8	59.3	37.1	22.2
Operating cash flow (before exceptional items)	**64.9**	79.8	90.2	69.8	53.8
Net debt (before IFRS 16)	**43.2**	38.8	60.8	92.3	
Earnings per share (pence) (before exceptional items)	**25.6**	26.5	24.5	21.0	20.6
Dividend per share (pence)	**11.5**	10.5	9.5	5.8	

Net debt, earnings per share and dividend per share are not presented for 2015 as the Group had a significantly different debt and ownership structure prior to the IPO in 2016.

ADDITIONAL INFORMATION
FINANCIAL CALENDER AND OTHER SHAREHOLDER INFORMATION

CALENDAR

The following dates have been announced:

2019 Annual General Meeting and trading update	14 May 2020
Payment of final 2019 dividend	9 July 2020
2020 Interim results announcement	28 July 2020

GROUP ADVISERS

REGISTRARS

Link 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

The Bank of Ireland

FINANCIAL PR

FTI Consulting

COMPANY INFORMATION

Registered in England and Wales
Company number 09963666

REGISTERED AND CORPORATE OFFICE

FORTERRA PLC

5 Grange Park Court
Roman Way
Northampton
NN4 5EA

Tel: 01604 707600

WWW.FORTERRAPLC.CO.UK

NOTES

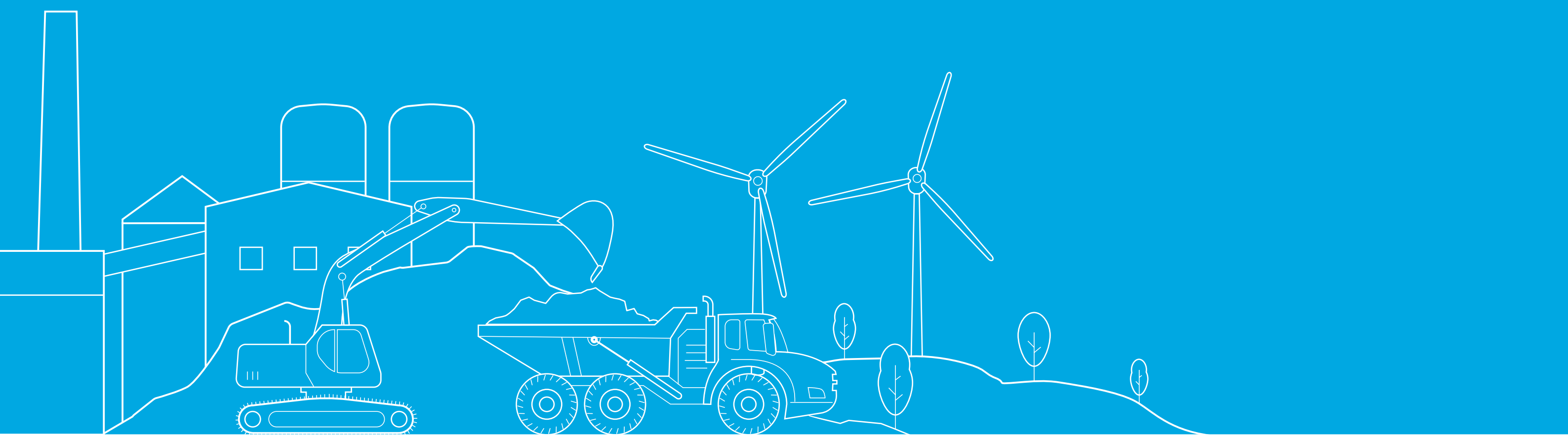
Designed and produced by Radley Yeldar www.ry.com

Printed by Park Communications on FSC® certified paper. Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind 100% of the inks used are vegetable oil based (or HP Indigo ElectroInk which comply with EC Regulation 1907/2006 (REACH), 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Galerie Satin, a paper sourced from well managed, responsible, FSC® certified forests and other controlled sources. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785



FORTERRA PLC
5 Grange Park Court
Roman Way
Northampton
NN4 5EA

Tel: 01604 707600
forterraplc.co.uk