FORTERRA plc

2017 FULL YEAR RESULTS

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FORTERRA PLC

2017 FULL YEAR RESULTS

STRONG PROFIT & CASH PERFORMANCE IN FIRST FULL YEAR AS A PUBLIC COMPANY

Forterra plc, a leading UK producer of manufactured masonry products, announces its results for the year ended 31 December 2017.

	2017	2016	**Change**
	£m	£m	
Pro-forma basis*			
Revenue	**331.0**	294.5	12.4%
EBITDA before exceptionals	**75.4**	69.4	8.6%
Operating profit before exceptionals	**64.5**	59.0	9.3%
PBT before exceptionals	**61.1**	53.1	15.1%
EPS before exceptionals (pence)	**24.5**	21.0	16.7%
Operating cash flow before exceptionals	**90.2**	69.8	29.2%
Statutory basis			
Revenue	**331.0**	294.5	
Operating profit	**64.5**	51.3	
Profit before tax	**59.3**	37.1	
EPS (pence)	**23.8**	13.8	
Cash generated from operations	**90.2**	56.2	
Total dividend (pence)	**9.5**	5.8	

*Pro-forma basis is stated after making the following adjustments:
(i) deducting an additional £1.2m of overheads in 2016 to make it comparable with the plc cost structure in 2017;
(ii) replacing finance charges in 2016 and recalculating assuming that the debt structure at IPO was in place throughout the year; and
(iii) excluding exceptional items totalling £1.8m in 2017 and £8.9m in 2016 as detailed in note 3.
Reconciliation from pro-forma basis to the statutory basis is included within the business review.

HIGHLIGHTS

- Revenue increase of 10.4% (excluding benefit of Bison acquisition) due to strong demand in the new build residential market leading to double digit increase in brick and aggregate block volumes
- EBITDA increase of £6.0m due to higher volumes and prices, which mitigated higher input costs and planned cost increases enabling the business to operate stand-alone since listing
- Bison acquisition completed in September for £20.0m, providing a leadership position in precast concrete market and a platform for future product development
- Strong cash flow performance resulting in £31.5m reduction in net debt to £60.8m at 31 December 2017, representing 0.8 times adjusted EBITDA
- Total dividend proposed of 9.5 pence per share, an increase of 10.5% over the annualised total for 2016

Stephen Harrison, Chief Executive Officer, commented:

"Forterra delivered a strong profit and cash performance in 2017, our first full year as a listed company. Revenue was up over 10%, primarily due to a strong performance from the new build residential market, and we also completed the strategically important acquisition of Bison which has given us a leadership position in the precast concrete products market. We are particularly pleased with our cashflow performance which enabled us to reduce our net debt to EBITDA ratio to below one times after paying for the acquisition.

"Following our strong performance in 2017, the current year has started well with brick volumes for the first two months ahead of the comparable period last year. Whilst the housing maintenance and improvement market remains subdued, we continue to see good activity levels from the new build residential market and anticipate a more modest level of volume growth compared with the prior year. As anticipated, price increases have now been agreed with most customers in order to cover the increase in our cost base.

"Based on our order book and indications from major customers, our expectations for 2018 are unchanged.

"Whilst we are cautious of the impact of the current uncertainty on the UK economy, the Board remains confident that the business is well positioned to take advantage of the attractive market fundamentals and of its ability to deliver sustainable shareholder value."

ENQUIRIES

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A presentation for analysts will be held today, 14 March 2018, at 10:30am at the offices of FTI Consulting. A recorded audiocast of the presentation will be available on the Investors section of our website (http://forterraplc.co.uk/) later in the day.

ABOUT FORTERRA PLC

Forterra is one of the leading manufacturers of building products for the UK building and construction industry. The Group's product range comprises of clay bricks, Thermalite blocks, aggregate blocks, Red Bank chimney, roofing and flue systems, Bison precast concrete and flooring products and Formpave permeable block paving. The Group operates from 18 manufacturing facilities in total and was listed on the London Stock Exchange's Main Market in April 2016.

The Group's three primary businesses are:

- **Bricks:** the Group is the second largest manufacturer of bricks in Great Britain and is the only manufacturer of the iconic and original Fletton brick sold under the London Brick® brand. The Group operates nine brick manufacturing facilities in Great Britain with a total production capacity of 575 million bricks per annum;
- **Blocks:** the Group is a leading manufacturer of aircrete blocks in Great Britain which the Group sells under its Thermalite® brand. The Group also manufactures aggregate blocks, for which it achieves strong sales in the East and South East of England. The Group operates four block manufacturing facilities in Great Britain; and
- **Bespoke Products:** the Group's bespoke products range comprises precast concrete, concrete block paving and chimney and roofing solutions, each of which is primarily specified, made to measure, or customised to meet the customer's specific needs. The Group's precast flooring products are complemented by the Group's full design and nationwide installation services, while certain other products, including concrete block paving and chimney flues, are complemented by the specification and design services. The Bespoke Products business operates from five manufacturing facilities in Great Britain, including the recently acquired site at Swadlincote, Derbyshire.

BUSINESS REVIEW

Following the Initial Public Offering (IPO) in April 2016, Forterra made good progress during 2017 in its first full year as a listed company. The previous private equity owners Lone Star Funds sold their remaining holding in the Group in April 2017, resulting in 100% free float in the market.

Forterra, which originated from the building products business of Hanson plc, is a UK leader in manufactured masonry products, with a unique combination of strong market positions in clay bricks and concrete blocks. The Group also has a leadership position in the precast concrete products market, having acquired the Bison business during 2017.

Within our clay bricks business, Forterra focuses on the efficient manufacture of high volume extruded and soft mud bricks, primarily for the housing market. The business is also the sole manufacturer of the iconic Fletton brick sold under the London Brick brand. Fletton bricks were used in the original construction of nearly a quarter of England's existing housing stock and are today used to match existing brickwork by homeowners carrying out extension or improvement work. During 2017, we celebrated the 140th anniversary of production of the Fletton brick. Within our concrete blocks business, Forterra is one of the leading producers of both aircrete and aggregate blocks, the former being sold under one of the country's principal aircrete brands of Thermalite.

STRATEGY

The Group's objective of generating sustainable shareholder value is achieved through delivery of the following strategic priorities:

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

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

During the year, the Group completed the acquisition of the trade and certain assets of Bison Manufacturing Limited from Laing O'Rourke which enabled us to take a leadership position in the UK precast concrete market whilst also reducing capacity constraints within our business. The business has traded in line with our expectations following the acquisition and the integration process is well-advanced. We have rebranded our whole precast concrete business as Bison Precast, recognising the strength of the brand in the marketplace.

The UK brick market has grown strongly over recent years, and capacity utilisation has increased. As outlined previously, we have prioritised debottlenecking projects at four sites in order to increase capacity by around 40 million bricks which has been less capital-intensive, whilst increasing plant efficiency and reducing unit production costs. The last of these projects is being undertaken at our Accrington facility in the summer of 2018.

We are completing the evaluation for building new brick manufacturing capacity and have considered a number of options including using brownfield sites owned by the Group with existing permissions for extracting mineral, and also redeveloping one of our existing brick facilities. We anticipate making an announcement on this over the coming months.

HEALTH & SAFETY

Forterra is committed to the highest safety standards for all employees, sub-contractors and visitors to our various facilities. During the year, we have continued the initiatives taken in this area including the Building Safety Together programme and safety training for employees to build awareness and good working practice. In addition, each Board Director has undertaken at least one Health and Safety site visit in 2017 and will do a minimum of two such visits each year going forward. This emphasises to the workforce the importance placed by the Board on Health and Safety and is part of driving a strong safety culture across the Group.

Our progress on health and safety during the year was overshadowed by a serious accident suffered by one of our employees at a brick manufacturing facility which is subject to an ongoing investigation. We will report on the outcome and the actions implemented to reinforce safety processes, training and awareness once this has concluded.

2017 RESULTS

Sales for the year of £331.0m were ahead of last year by 10.4% excluding the benefit of the Bison acquisition made in September 2017. The sales growth was primarily driven by a strong performance from the new build residential market, leading to a double digit increase in brick and aggregate block volumes over 2016. Aircrete block volumes were marginally lower than prior year, but strengthened in the second half due to greater availability of raw materials. Precast flooring volumes excluding the Bison acquisition were up by low single digits. The Group achieved price increases across all product ranges to mitigate increases in the operating cost base.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of £75.4m for the year was £6.0m ahead of the comparable pro-forma result for 2016 due to higher sales volumes and price increases as outlined above offset by higher costs for raw materials, energy, labour and distribution. As set out in the half year results, the Group was running with a lower level of overheads and operating expenditure in the first part of 2016 pre-IPO, and since listing in April 2016 budgeted investment has been made in specific areas such as IT, sales & marketing, HR and business development to take the Group forward as a stand-alone entity. The full year effect of this in 2017 compared with the prior year was £1.9m, and this investment is now complete.

EBITDA for 2016 has been adjusted to aid comparison to 2017 by deducting additional PLC costs of £1.2m, reflecting the timing of the Group's Initial Public Offering (IPO) which took place in April 2016. In addition, exceptional costs are excluded and the finance cost has been calculated assuming that the post-IPO debt structure was in place throughout the period. It will not be necessary to use pro-forma figures in future years.

The acquisition of the Bison business from Laing O'Rourke for £20.0m was completed in September 2017, and the contribution from the business from the date of purchase is estimated at sales of £5.8m, EBITDA of £0.6m and operating profit of £0.1m. The acquisition resulted in goodwill of £0.8m as described later in the report.

EBITDA margin of 22.8% was lower than the comparable pro-forma margin in 2016 of 23.6% due to the additional costs described above, change in sales mix which was weighted more towards new build residential projects, and the effect of the Bison acquisition.

The profit before tax and exceptional items of £61.1m was £8.0m higher than the pro-forma result for 2016, benefitting from the higher volumes and reduced interest costs arising from lower debt and the refinancing of facilities during the year.

Profit before tax on a statutory basis was £59.3m for 2017 compared with prior year of £37.1m. As well as the trading factors described above, there was a higher finance charge in 2016 due to the increased net debt and higher interest rate in place under the pre-IPO ownership structure. Exceptional charges in 2017 were £1.8m (2016: £8.9m), arising from the writing-off of previously capitalised IPO financing costs upon completion of the Group's refinancing in July 2017.

CURRENT TRADING AND OUTLOOK

Following our strong performance in 2017, the current year has started well with brick volumes for the first two months ahead of the comparable period in 2017. Whilst the housing maintenance and improvement market remains subdued, we continue to see good activity levels from the new build residential market and anticipate a more modest level of volume growth compared with the prior year.

As anticipated, price increases have now been agreed with most customers in order to cover the increase in our cost base.

Based on our order book and indications from major customers, our expectations for 2018 are unchanged.

Whilst we are cautious of the impact of the current uncertainty on the UK economy, the Board remains confident that the business is well positioned to take advantage of the attractive market fundamentals and of its ability to deliver sustainable shareholder value.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share (EPS) before exceptionals was 24.5 pence compared with 21.0 pence pro-forma EPS for 2016, an increase of 16.7%. The increase reflected the higher level of profit and also a lower effective tax rate of 20.0% compared with 20.9% for 2016.

Basic EPS for 2017 was 23.8 pence compared with 13.8 pence in 2016.

The Board is recommending a final dividend of 6.4 pence per share, which together with the interim dividend, would make a total of 9.5 pence for the full year. This compares with the total dividend in 2016 of 5.8 pence for the period post IPO, and the increase over the annualised total for 2016 is 10.5%. The final dividend will be paid on 5 July 2018 to those shareholders on the register as at 15 June 2018.

The dividend is in line with the progressive dividend policy adopted by the Board and demonstrates the progress made by the Group in reducing net debt and our confidence in the business going forward.

CASH FLOW, BORROWINGS AND FACILITIES

Operating cash flow before exceptionals for the year of £90.2m was £20.4m higher than 2016, due to a significant improvement in trade working capital and higher profitability. Brick inventory reduced in the year due to the increased levels of demand and there was a continued good level of cash collections reflected in the year end cash balance arising from the busy last few months of the year. Debtor days on a countback basis were 40 days, a small increase from the 39 days at December 2016. The normal seasonal pattern for working capital is an increase in the first half as inventory is built ahead of the busy Spring selling season and receivables are higher, followed by a reduction towards the end of the year.

Capital expenditure for the year increased by £1.7m to £10.8m and included the project to upgrade the dryers at the Claughton brick facility and increase capacity. It also included investment being made to upgrade IT systems across the business.

Net cash flow includes the acquisition of the Bison business in September 2017 for a consideration of £20.0m.

CASH FLOW - HIGHLIGHTS	**2017**	2016
	£m	£m
Operating cash flow before exceptional items	**90.2**	69.8
Exceptional payments	**–**	(13.6)
Cash generated from operations	**90.2**	56.2
Interest paid	**(3.3)**	(12.4)
Tax paid	**(9.3)**	(6.3)
Capital expenditure:		
- maintenance	**(7.6)**	(7.4)
- expansion	**(3.2)**	(1.7)
Acquisition of Bison	**(20.0)**	–
Dividends paid	**(13.8)**	(4.0)
Debtor days	**40**	39

Net debt at 31 December 2017 was £60.8m compared with £92.3m at the start of the year and £155.0m at IPO in April 2016. The reduction in net debt during the year of £31.5m after paying for the Bison acquisition is testament to the strong operating cash generation of the business. Since IPO, the free cash flow generated by the business has been over £130m enabling both organic investment through new product development, debottlenecking and efficiency projects, and investment through acquisition. It has also enabled the Board to follow a progressive dividend policy whilst strengthening the balance sheet.

Net debt to EBITDA (calculated with reference to the last twelve months of earnings before exceptionals) was 0.8 times at 31 December 2017 compared with 1.3 times at December 2016 and 2.2 times at IPO. For this purpose, the net debt excludes capitalised finance costs in line with the calculation required by the banking covenant.

The Group's debt facility, which was agreed as part of the IPO, was successfully amended in July 2017 and replaced by a new RCF-only committed facility of £150m with a group of major international banks. The term of the facility has been extended by a year to July 2022. In addition, an accordion facility of £50m has been agreed. The financial covenants are unchanged but there is a reduction in the interest cost under the new facility with interest set at LIBOR plus a margin of 125 to 225 basis points depending on the leverage. The new facility will provide a more efficient and flexible form of funding than the previous structure of a large term loan and much smaller RCF.

The Group met its covenant tests comfortably at 31 December 2017.

PENSIONS

The Group has no defined benefit pension scheme in place, with the legacy liabilities of the previous pension scheme left with the HeidelbergCement AG Group when the business was divested in 2015. There is a defined contribution arrangement in place and pension costs for the year amounted to £5.4m (2016: £5.2m).

BRICKS AND BLOCKS	**2017**	2016	**Change**

	£m	£m	
Revenue	**249.5**	221.3	**12.7%**
EBITDA*	69.1	63.6	
EBITDA (pro-forma)	**69.1**	62.7	**10.2%**
EBITDA margin (pro-forma)	**27.7%**	28.3%	

* there were no exceptional items relating to the segment in 2017 or 2016

The Group has a unique combination of strong market positions in both clay brick and concrete blocks. It is also the only manufacturer of the iconic and original Fletton brick sold under the London Brick brand. The Group operates nine brick manufacturing facilities across the country with a total production capacity of 575 million bricks per annum. It is also a leader nationally in the aircrete block market, operating from facilities at Newbury (Berkshire) and Hams Hall in the Midlands. The aggregate blocks business has a leading position in the important South East and East of England markets with well-located manufacturing facilities at Milton (Oxfordshire) and Whittlesey (near Peterborough).

Revenue increased by 12.7% compared with 2016, reflecting strong demand from the new build residential market. Brick volumes were up by double digits, benefitting also from the extra soft mud capacity installed in 2016 at our Measham facility. The blocks business also performed well, with aggregate block volumes increasing strongly facilitated by an additional shift and higher capacity utilisation at the Oxfordshire plant in particular. Whilst overall aircrete sales volume were down slightly on prior year, the business has performed more consistently during the year due to securing a number of alternative raw material supply sources. Production volumes of aircrete increased, enabling inventory levels to be rebuilt in order to maintain customer service levels during 2018.

Price increases were achieved across each of the product lines in line with our expectations to offset increases in the cost base.

EBITDA of £69.1m was up by 10.2% against the comparative pro-forma EBITDA for 2016 due to increased sales volumes and price rises which offset higher costs of energy, raw materials, distribution and labour. The result was also adversely impacted by sales mix arising from higher sales to the volume housebuilders, higher repair costs due to maintenance carried out at brick facilities including at Accrington, Claughton and Measham, and the planned cost increases made since IPO as described earlier in this statement.

The Group continues to invest in brand awareness and during the year a successful campaign was run to celebrate the heritage and 140 year anniversary of the Fletton brick. This included marketing promotions at builders' merchants, national advertising using both traditional and social media and donation of the product for use by apprentice bricklayers.

A number of new bricks were launched in the year to expand the range and improve customer choice. The number of bricks in the Measham soft mud range has more than doubled during the year in addition to an expanded range of extruded bricks at Claughton, Accrington and Howley Park. There has been specific focus on the smaller regional and local housebuilders by working with merchants and brick distributors, as well as strengthening relationships with large housebuilders. The dedicated team established to serve the Commercial and Specification segments gained traction in securing a number of successful projects, including the Priority School Building Programme, university buildings and student accommodation and the ongoing regeneration of the northern and Scottish cities. The Group's bricks made at the Wilnecote facility and used at Sheffield Hallam University won the Best Education Category at the 2017 Brick Awards.

The project to replace the dryers at the Claughton brick facility in Lancashire was completed to schedule, resulting in improved efficiency and a capacity increase of over 5 million bricks per annum. Following the completion of the project, the Claughton facility was brought back on line in the second half of the year with a total annual production capacity of 50 million bricks. The nearby Accrington facility also resumed manufacturing in the last quarter of the year, bringing back into production its capacity of 45 million bricks per annum which will increase by a further 10 million during the summer of 2018 through completion of a capital investment programme.

The scope of the debottlenecking project at Desford was redefined in order to increase capacity in the short term by around 5 million bricks per annum by replacing the kiln burners at a cost of £0.9m, which was less than originally planned. This project was completed in early 2018.

Whilst brick inventories reduced during the year, the measures taken at plants such as at Claughton, Accrington and Desford as described above will lead to increased production during 2018 and enable the business to continue providing a good level of customer service.

The initiatives taken during the last two years in securing supply of Pulverised Fuel Ash (PFA) used in the production of aircrete blocks has enabled more consistent production during 2017. The Group has recently secured a good supply of conditioned (wet) PFA and capital expenditure of £1.9m has been approved to convert the Hams Hall facility to enable the plant to use 100% wet or dry PFA, or a mixture of the two. The project is planned to be completed during the first half of 2018 and will provide greater flexibility and resilience in the production capability for aircrete blocks.

BESPOKE PRODUCTS	**2017**	2016	**Change**
	£m	£m	
Revenue	**83.6**	74.8	**11.8%**
EBITDA *	6.3	7.0	
EBITDA (pro-forma)	**6.3**	6.7	**(6.0)%**
EBITDA margin (pro-forma)	**7.5%**	9.0%	

* there were no exceptional items relating to the segment in 2017 or 2016

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

Overall revenue for the division grew by £8.8m (11.8%) or by £3.0m (4.0%) when the benefit of the Bison acquisition is excluded.

EBITDA stated on a proforma basis however fell by £0.4m (6.0%) to £6.3m as the precast concrete business faced several headwinds during the year and also due to the planned cost increases made since IPO as described before. EBITDA margin (stated on a proforma basis) reduced from 9.0% in 2016 to 7.5% in 2017.

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

- Hollowcore floors, which are used for upper floors of multi-family and commercial developments, with the majority of floors fitted by the in-house installations team;
- Jetfloor, which was the UK's first system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation;
- Beam and Block flooring, a traditional and cost effective suspended flooring system for ground floors in domestic and commercial applications;
- Structural Precast Components including precast concrete walls used in applications such as hotels and prisons, concrete beams used in the construction of building frames as well as stadia components;
- a range of concrete retaining walls, culverts, Omnia Bridgedeck, barriers and bespoke products for the housing, commercial, infrastructure and utility markets. The Group's engineers and designers are able to advise on all aspects of a project and are supported by technical specialists to ensure an efficient and effective solution; and
- standard and bespoke precast concrete staircases and landings which are suitable for both commercial and residential projects.

The highlight of 2017 was the acquisition of the trade and certain assets of Bison Manufacturing Limited which was completed in September. The Swadlincote plant is the largest and most technically advanced hollowcore manufacturing facility in the UK. In addition, the site includes a specialist precast facility capable of producing a wide range of bespoke precast concrete products.

As well as a state of the art factory, a well-trained and dedicated workforce and an ongoing supply agreement with Laing O'Rourke the acquisition also included the highly respected and well known Bison brand.

The combined Forterra and Bison precast concrete business has already been rebranded as 'Bison Precast', allowing the wider business to leverage what is regarded as the leading UK precast concrete brand.

Prior to the acquisition, the Swadlincote plant had been operating at around 50% of its capacity. The integration of this facility into the wider Forterra business is progressing well with the aim of having this factory running at a much higher level of capacity utilisation by the summer of 2018. Transferring hollowcore production to Swadlincote will facilitate the release of production capacity at the Hoveringham and Somercotes facilities allowing increased output of precast concrete products as well as creating opportunities to add new and innovative products to the range. The acquisition is performing in line with our expectations with the Swadlincote facility already making a positive contribution to operating profit.

Another notable success was the securing by the Somercotes facility of the contract to supply precast concrete drainage channels and box culverts to the Hinkley Point C construction project. This contract award demonstrates Forterra's capability to supply a prestigious infrastructure project where quality and service are of paramount importance.

Aside from the successes above, 2017 was a challenging year for the precast concrete business. The business faced issues associated with the supply of the expanded polystyrene blocks which are used in the jetfloor system and also saw significant mid-year cost volatility on this important input which could not be fully recovered from customers. In addition, the business faced a number of operational challenges and inefficiencies in the main caused by operating the Hoveringham facility at levels of utilisation which were above its normal operating capacity. The acquisition of the Swadlincote factory provides the required additional capacity and removes this constraint for the foreseeable future.

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

Products sold under the Formpave brand include:

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

Formpave delivered a strong result in 2017 with both revenues and EBITDA ahead of the 2016 results. At the beginning of the year Formpave successfully installed a replacement block press machine which increases capacity and provides greater efficiency across its product range whilst also offering the ability to support the aggregate block business with additional output if desired.

Commercially, Formpave continues to make progress in bringing to market its Aquaflow Thermapave system, which combines ground source heat pump ('GSHP') technology with its patented Aquaflow paving system.

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

a complete bespoke manufacturing facility to accommodate unique customer requirements.

Red Bank had a successful year in 2017, recording double-digit increase in sales and EBITDA compared with prior year. The business has implemented measures to reinvigorate its product offering, improve margins and enhance customer service. It ran a number of training workshops for distributors in order to improve awareness of its product range and support sales.

OTHER FINANCIAL INFORMATION

EXCEPTIONAL ITEMS

Exceptional items totalled £1.8m in 2017 compared with £8.9m in the previous year:

	2017	2016
	£m	£m
IPO capitalised financing costs written off	**(1.8)**	–
Transaction costs	**–**	(9.1)
Separation costs	**–**	(1.3)
Loss on disposal of Structherm	**–**	(0.1)
Indemnity payment received	**–**	1.6
Total exceptional items	**(1.8)**	(8.9)

Following the refinancing of the Group's borrowings facilities during 2017, the balance of the capitalised financing costs of £1.8m incurred when the previous facility was put in place at IPO has been written-off.

FINANCE COSTS

The total finance costs for 2017 were £5.2m compared with £14.2m in 2016. The 2017 charge comprises the £1.8m exceptional cost described above and £3.4m interest cost.

The Group had a much higher debt level and interest rate during the first few months of 2016 under the previous ownership structure prior to the IPO. The pro-forma annual finance cost for 2016 was £5.9m assuming that the debt facility at IPO had been in place throughout the year, and this has been used to calculate the pro-forma profit before tax and earnings per share before exceptional items.

The reduction in the underlying finance cost from 2016 to 2017 is due to the significant reduction in borrowings since IPO, and also the benefit from refinancing the borrowing facility during 2017.

TAXATION

The effective tax rate excluding exceptional items was 20.0% (effective rate excluding exceptional items for 2016: 20.9%). The Group derives substantially all its revenue from the UK and the rate is based on the UK corporation tax rate adjusted for permanent non-deductible items such as depreciation on non-qualifying assets.

The effective tax rate after including exceptional items was 19.9% (2016: 25.9%).

SHARE SCHEMES

During the year, the second offering of the Company-wide employee Sharesave scheme was successfully launched and this, together with the first offer made in 2016, resulted in around two-thirds of employees participating by saving regularly under the scheme.

In order to have sufficient shares for the vesting of the 2016 Sharesave options as well as any shares required for the Performance Share Plan and the Deferred Annual Bonus Plan awards, the Board, subject to continued shareholder approval being granted at the AGM, intends to fund the market purchase of around 240,000 shares each month commencing from March 2018 through the Employee Benefit Trust. It is anticipated that this would provide around 5m shares by December 2019 which would be sufficient to meet the Company's obligation in respect of the Sharesave options which vest on 1 December 2019, as well as the other share schemes vesting prior to this date.

The employees' savings pool accumulated to that date is estimated at £6.4m (based on the exercise price of 135p per share) and this amount would be received by the Company on the employees exercising their Sharesave options.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has established processes for identifying, evaluating and managing the key risks which could have an impact upon performance, and is formalising these under the direction of the Board Risk Committee.

The principal risks and uncertainties facing the business are detailed in pages 34-37 of the Annual Report and Accounts published in April 2017, which is available on the Group website (forterraplc.co.uk). The Group has reviewed these risks and concluded that they have not materially changed since the date of the report.

GOING CONCERN & VIABILITY STATEMENT

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 these preliminary financial statements.

The Directors have conducted a review and assessed the prospects and viability of the Group. They confirm that they have a reasonable expectation that the Group will continue in operation, meet liabilities as they fall due and will not breach covenants over the three year period covered by the review.

PRO-FORMA ADJUSTMENTS

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

	2017	2016
	£m	£m
Operating profit (statutory basis)	**64.5**	51.3
Exceptional items	**–**	8.9
Operating profit before exceptionals	**64.5**	60.2
Additional costs in 2017 as a plc	**–**	(1.2)
Operating profit before exceptionals (pro-forma basis)	**64.5**	59.0
Finance charge (based on debt structure at IPO for full year)	**(3.4)**	(5.9)
PBT before exceptionals (pro-forma basis)	**61.1**	53.1
Tax charge at effective rate	**(12.2)**	(11.1)
Earnings before exceptional items (pro-forma basis)	**48.9**	42.0
Number of shares (millions)	**200.0**	200.0
EPS before exceptionals (pence)	**24.5**	21.0

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

	2017	2016
	£m	£m
Operating profit before exceptionals (pro-forma basis)	**64.5**	59.0
Depreciation and amortisation	**10.9**	10.4
EBITDA before exceptionals (pro-forma basis)	**75.4**	69.4

FORWARD LOOKING STATEMENTS

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

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

Stephen Harrison

Chief Executive Officer

Shatish Dasani

Chief Financial Officer

14 March 2018

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** **£m**	2016 £m
Revenue	2	**331.0**	294.5
Cost of sales		**(196.8)**	(175.2)
Gross profit		**134.2**	119.3
Distribution costs		**(48.9)**	(43.6)
Administrative expenses		**(21.2)**	(26.7)
Other operating income		**0.4**	2.3
Operating profit	2	**64.5**	51.3
EBITDA before exceptional items		**75.4**	70.6
Exceptional items	3	**-**	(8.9)
Depreciation and amortisation		**(10.9)**	(10.4)

Operating profit		**64.5**	51.3

Finance expense before exceptional items		**(3.4)**	(14.2)
Exceptional finance expense	3	**(1.8)**	-
Net finance expense	4	**(5.2)**	(14.2)
Profit before tax		**59.3**	37.1
Income tax expense	5	**(11.8)**	(9.6)
Profit for the year attributable to equity shareholders		**47.5**	27.5
Total comprehensive income for the year attributable to equity shareholders		**47.5**	27.5

Earnings per share		**Pence**	Pence
Basic earnings per share	6	**23.8**	13.8
Diluted earnings per share	6	**23.4**	13.7

The calculation of earnings per share on a pro-forma basis is shown within note 6 of these preliminary financial statements.

Note: The classification of expenses within the Consolidated Statement of Total Comprehensive Income has been revised in 2017 and restated in 2016 to better align internal and external financial reporting (see note1).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2017

	Note	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets		**15.8**	13.7
Property, plant and equipment		**165.2**	147.2
Deferred tax assets		**-**	0.4
		181.0	161.3
Current assets			
Inventories		**36.3**	39.0
Trade and other receivables		**33.0**	31.6
Cash and cash equivalents		**29.0**	56.2
		98.3	126.8
Total assets		**279.3**	288.1
Current liabilities			
Trade and other payables		**(61.2)**	(51.5)
Trade and other payables with related parties		**-**	(0.7)
Current tax liabilities		**(5.8)**	(3.8)
Loans and borrowings	8	**(0.4)**	(10.7)
Provisions for other liabilities and charges		**(7.9)**	(5.7)
		(75.3)	(72.4)
Non-current liabilities			
Loans and borrowings	8	**(89.4)**	(137.8)
Provisions for other liabilities and charges		**(9.1)**	(8.7)
Deferred tax liabilities		**(0.8)**	-
		(99.3)	(146.5)
Total liabilities		**(174.6)**	(218.9)
Net assets		**104.7**	69.2
Capital and reserves attributable to equity shareholders			
Ordinary shares		**2.0**	2.0
Retained earnings		**102.7**	67.2
Total equity		**104.7**	69.2

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Operating profit before exceptional items		**64.5**	60.2

Adjustments for:			
- Depreciation and amortisation		**10.9**	10.4
- Non-cash movement on provisions		**3.1**	(0.4)
- Share-based payments		**1.5**	0.5
- Other non-cash items		**-**	0.3
- Profit on sale of property, plant and equipment		**(0.4)**	(0.2)
Changes in working capital:			
- Inventories		**3.0**	1.7
- Trade and other receivables		**(1.4)**	(3.1)
- Trade and other payables		**9.5**	0.7
- Cash movement on provisions		**(0.5)**	(0.3)
Operating cash flow before exceptional items		**90.2**	69.8
Cash flow relating to exceptional items		**-**	(13.6)
Cash generated from operations		**90.2**	56.2
Interest paid		**(3.3)**	(12.4)
Tax paid		**(9.3)**	(6.3)
Net cash generated from operating activities		**77.6**	37.5
Cash flows from investing activities			
Cash outflow on business combinations	10	**(20.0)**	-
Purchase of property, plant and equipment		**(9.0)**	(9.0)
Purchase of intangible assets		**(1.8)**	(0.1)
Proceeds from sale of property, plant and equipment		**0.6**	0.3
Net cash used in investing activities		**(30.2)**	(8.8)
Cash flows from financing activities			
Dividends paid	7	**(13.8)**	(4.0)
Drawdown of borrowings		**100.0**	167.0
Repayment of borrowings		**(160.0)**	(156.7)
Finance arrangement fees paid		**(0.8)**	(3.0)
Net cash (used in)/generated from financing activities		**(74.6)**	3.3
Net (decrease)/increase in cash and cash equivalents		**(27.2)**	32.0
Cash and cash equivalents at the beginning of the period		**56.2**	24.2
Cash and cash equivalents at the end of the period		**29.0**	56.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £m	Share premium £m	Deferred shares £m	Retained earnings £m	Total equity £m
Balance at 1 January 2016	0.1	46.5	-	(257.2)	(210.6)
Total comprehensive income for the year	-	-	-	27.5	27.5
Adjustment to reserves on Group reorganisation	(0.1)	(46.5)	-	-	(46.6)
Issue of share capital	2.2	44.4	-	-	46.6
Reclassification of ordinary shares to deferred shares	(0.2)	-	0.2	-	-
Capitalisation of shareholder loan note	-	255.8	-	-	255.8
Capital reduction	-	(300.2)	(0.2)	300.4	-
Dividends paid	-	-	-	(4.0)	(4.0)
Share-based payments	-	-	-	0.5	0.5
Balance at 31 December 2016	**2.0**	**-**	**-**	**67.2**	**69.2**
Total comprehensive income for the year	**-**	**-**	**-**	**47.5**	**47.5**
Dividends paid	-	-	-	(13.8)	(13.8)

Share-based payments	-	-	-	1.2	1.2
Tax on share-based payments	-	-	-	0.6	0.6
Balance at 31 December 2017	**2.0**	**-**	**-**	**102.7**	**104.7**

NOTES TO THE PRELIMINARY RESULTS

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 is 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA. The Company is the parent of Forterra Holdings Limited and Forterra Building Products Limited, which together comprise the group (the 'Group'). The principal activity of the Group is the manufacture and sale of bricks, dense and lightweight blocks, precast concrete, concrete block paving and other complementary building products.

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

Basis of preparation

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

In 2017, the classification of expenses has been changed voluntarily; resulting in an increase in cost of sales and distribution costs and corresponding decrease in administrative expenses and other operating income. This change results in a decrease in gross margin of 1.4% for the period ended 31 December 2016, although there is no net impact to the Consolidated Statement of Total Comprehensive Income. Management have made this change to align internal and external financial reporting, which management are of the opinion, having reviewed the underlying nature of these costs is a more accurate presentation. Comparative periods have been restated to reflect this reclassification consistently.

The above restatements do not have any impact on the balance sheet at 31 December 2016.

The preliminary results for the year ended 31 December 2017 have been extracted from the audited consolidated financial statements, which were approved by the Board of Directors on 14 March 2018. The audited consolidated financial statements have not yet been delivered to the Registrar of Companies but are expected to be published by the end of April 2018. The auditors have reported on those accounts; their report was unqualified and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This preliminary announcement has been prepared in accordance with the accounting policies under IFRS as adopted by the EU. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. This preliminary announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosures and Transparency Rules (DTR).

Copies of the Annual Report for the year ended 31 December 2017 will be mailed to those shareholders who have opted to receive them by the end of April 2018 and will be available from the Company's registered office at Forterra plc, 5 Grange Park Court, Northampton and the Company's website (http://forterraplc.co.uk/) after that date.

The preliminary results are presented in pounds sterling and all values are rounded to the nearest hundred thousand unless otherwise indicated

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 preliminary financial statements are signed. The Group therefore adopts the going concern basis in preparing its preliminary financial statements.

2 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 activities of the operating segments are:

Bricks - Manufacture and sale of bricks to the construction sector

Blocks - Manufacture and sale of concrete blocks 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 process, suppliers, customers and distribution methods.

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

Costs which are incurred on behalf of both segments are held at the centre and these, together with general administrative expenses, have been allocated to the segments for reporting purposes using relative sales proportions in 2016. Management considers that a split of 75% Bricks and Blocks and 25% Bespoke products should be applied for 2017 and beyond as the growth of Bespoke products through the Bison acquisition has not resulted in additional central costs being incurred. Management considers this an appropriate basis for the allocation.

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

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

Segment revenue and results:

	2017		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**
Segment revenue	**249.5**	**83.6**	**333.1**
Intersegment eliminations			**(2.1)**
Revenue			**331.0**
EBITDA	**69.1**	**6.3**	**75.4**
Depreciation and amortisation	**(9.6)**	**(1.3)**	**(10.9)**
Operating profit	**59.5**	**5.0**	**64.5**
Finance costs before exceptional items			**(3.4)**
Exceptional finance costs			**(1.8)**
Net finance expense			**(5.2)**
Profit before tax			**59.3**

Segment assets:

	2017		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**
Property, plant and equipment	**130.7**	**34.5**	**165.2**
Intangible assets	**8.1**	**7.7**	**15.8**
Inventories	**30.5**	**5.8**	**36.3**
Segment assets	**169.3**	**48.0**	**217.3**
Unallocated assets			**62.0**
Total assets			**279.3**

Other segment information:

		2017		
	Note	**Bricks and Blocks £m**	**Bespoke Products £m**	**Total £m**
Property, plant and equipment additions		**7.3**	**1.4**	**8.7**
Property, plant and equipment acquired	10	**-**	**20.0**	**20.0**
Intangible asset additions		**1.1**	**0.3**	**1.4**
Intangible assets acquired	10	**-**	**1.2**	**1.2**

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

	2017		
	Bricks and Blocks £m	**Bespoke Products £m**	**Total £m**
Customer A	**40.1**	**2.4**	**42.5**
Customer B	**31.0**	**4.4**	**35.4**

Segment revenue and results:

	2016		
	Bricks and Blocks £m	Bespoke Products £m	Total £m

Segment revenue	221.3	74.8	296.1
Intersegment eliminations			(1.6)
Revenue			294.5
EBITDA before exceptional items	63.6	7.0	70.6
Depreciation and amortisation	(9.6)	(0.8)	(10.4)
Operating profit before exceptional items	54.0	6.2	60.2
Unallocated exceptional items			(8.9)
Operating profit			51.3
Net finance expense			(14.2)
Profit before tax			37.1

Segment assets:

	2016		
	Bricks and Blocks £m	Bespoke Products £m	Total £m
Property, plant and equipment	132.5	14.7	147.2
Intangible assets	7.4	6.3	13.7
Inventories	34.4	4.6	39.0
Segment assets	174.3	25.6	199.9
Unallocated assets			88.2
Total assets			288.1

Other segment information:

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

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

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

3 Exceptional items

	2017 £m	2016 £m
Exceptional administrative expenses:		
Transaction costs	-	(9.1)
Separation costs	-	(1.3)
Exceptional other operating income/(expenses):		
Loss on disposal of subsidiary	-	(0.1)
Indemnity payment received	-	1.6
Exceptional finance expenses:		
IPO capitalised financing costs written off	**(1.8)**	-
	(1.8)	(8.9)

Following the refinancing of the Group's borrowings facility during 2017, the balance of the capitalised financing cost incurred when the previous facility was put in place at IPO has been written off.

Transaction costs in 2016 relate to the IPO completed in April 2016 and associated non-recurring professional fees.

Separation costs relate to the separation from Forterra Inc in 2016 and included rebranding, new office fit out costs, set up of standalone IT operations and staff recruitment.

In October 2016 the Group disposed of its investment in Structherm Limited and ceased to consolidate its assets, liabilities and financial results.

A cash tax indemnity payment was received in the 2016 from HeidelbergCement AG relating to previous tax paid. It was initially recognised as a contingent asset at zero value but later revalued to £1.6m upon confirmation of payment.

4 Net finance expense

	2017 £m	2016 £m
Interest payable on related party borrowings	**-**	(10.2)
Interest payable on external borrowings	**(3.4)**	(3.8)
IPO capitalised financing costs written off	**(1.8)**	-
Other finance expense	**-**	(0.2)
	(5.2)	(14.2)

Up to the date of the IPO, both the debt level and interest rate were significantly higher than the Group's post IPO financing arrangements. This resulted in a higher finance charge for 2016.

5 Taxation

	2017 £m	2016 £m
Current tax		
UK corporation tax on profit for the year	**(11.4)**	(8.3)
Prior year adjustment on UK corporation tax	**0.2**	0.1
Total current tax	**(11.2)**	(8.2)
Origination and reversal of temporary differences	**(0.5)**	(1.0)
Effect of change in tax rates	**0.1**	0.1
Effect of prior period adjustments	**(0.2)**	(0.5)
Total deferred tax	**(0.6)**	(1.4)
Income tax expense	**(11.8)**	(9.6)

	2017 £m	2016 £m
Profit on ordinary activities before tax	**59.3**	37.1
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19.25% (2016: 20%)	**(11.4)**	(7.4)
Effects of:		
Change in tax rate	**0.1**	0.1
Expenses not deductible for tax purposes	**(0.5)**	(1.9)
Prior period adjustments	**-**	(0.4)
Income tax expense	**(11.8)**	(9.6)

The main rate of UK corporation tax for 2017 is 19.25%, based on a rate of 20% for the first three months of 2017 and 19% from 1 April 2017.

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

As the Group did not exist in its current form throughout the full prior period, basic and diluted EPS has been calculated as if the restructuring of the Group on admission to the London Stock Exchange occurred at the beginning of the comparative period.

	Basic		**Pro-forma**	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Operating profit for the year	**64.5**	51.3	**64.5**	51.3
Exceptional items	**-**	-	**-**	8.9
Additional costs in 2017 as a stand-alone plc	**-**	-	**-**	(1.2)
Finance charge	**(5.2)**	(14.2)	**(3.4)**	(5.9)
Profit before taxation	**59.3**	37.1	**61.1**	53.1
Tax charge at effective rate	**(11.8)**	(9.6)	**(12.2)**	(11.1)
Profit for the year	**47.5**	27.5	**48.9**	42.0
Weighted average number of shares (millions)	**200.0**	200.0	**200.0**	200.0

Effect of share incentive awards and options	**2.9**	0.8	**2.9**	0.8
Diluted weighted average number of ordinary shares	**202.9**	200.8	**202.9**	200.8

Earnings per share:				
Basic (in pence)	**23.8**	13.8		
Diluted (in pence)	**23.4**	13.7		
Pro-forma earnings per share:				
Basic (in pence)			**24.5**	21.0
Diluted (in pence)			**24.1**	20.9

Pro-forma basis is presented as an additional performance measure and is stated before exceptional items and after adjustments to present additional plc costs incurred in 2017 and finance costs comparatively in both years.

7 Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend of 3.1p per share (2016: 2.0p)	**(6.2)**	(4.0)
Final dividend of 3.8p per share in respect of prior year (2016: nil)	**(7.6)**	-
	(13.8)	(4.0)

The Directors are proposing a final dividend for 2017 of 6.4p per share, making a total payment for the year of 9.5p (2016: 5.8p).

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these preliminary financial statements.

8 Loans and borrowings

	2017 £m	2016 £m
Non-current loans and borrowings		
External bank loan - principal	**90.0**	140.0
- unamortised debt issue costs	**(0.6)**	(2.2)
	89.4	137.8
Current loans and borrowings		
External bank loan - principal	**-**	10.0
- interest	**0.4**	0.7
	0.4	10.7
	89.8	148.5

As part of the IPO, on 26 April 2016 the Group entered into a facilities agreement with a group of leading banks under which it had access to a £150m term loan facility and a £30m revolving credit facility for five years.

On 26 July 2017 the Group refinanced by repaying amounts outstanding under existing facilities and entering into a committed £150m revolving credit facility with a new group of leading banks. The new facility has been extended by a year over the original facility and therefore is in place until July 2022. An accordion facility of £50m has also been agreed.

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%, a 25bps reduction from the original facility.

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

9 Net debt

The analysis of net debt is as follows:

	2017 £m	2016 £m
Cash and cash equivalents	**29.0**	56.2
External borrowings	**(89.8)**	(148.5)
	(60.8)	(92.3)

Reconciliation of net cash flow to net debt

	2017 £m	2016 £m

Net cash inflow from operating activities	77.6	37.5
Net cash outflow from investing activities	(30.2)	(8.8)
Dividends paid	(13.8)	(4.0)
Net cash flow in period (excluding financing cash flow)	33.6	24.7
Other movements	(2.1)	1.4
Restructuring movements	-	263.0
Decrease in net debt	31.5	289.1
Net debt at the start of the period	(92.3)	(381.4)
Net debt at the end of the period	(60.8)	(92.3)

10 Business Combinations

Acquisition of trade and certain assets of Bison Manufacturing Limited
On 7th September 2017 the Group acquired the trade and certain assets of Bison Manufacturing Limited from Laing O'Rourke plc, transferring cash consideration of £20.0m from the Group's existing cash balances.

The acquisition of this UK-based business manufacturing precast concrete products, provides a unique and immediate opportunity for the Group to take a leadership position in this market whilst also expanding its currently capacity-constrained precast business.

Details of the provisional fair value of identifiable assets and liabilities acquired, consideration transferred, goodwill and intangible assets are as follows:

Fair value of assets and liabilities acquired

	2017 £m
Non-current assets	
Intangible assets	**0.4**
Property, plant and equipment	**19.7**
Property, plant and equipment - decommissioning asset	**0.3**
Current assets	
Inventories	**0.3**
Non-current liabilities	
Provision for decommissioning	**(0.3)**
Deferred tax	**(1.2)**
Net assets acquired	**19.2**

Consideration transferred
The trade and certain assets of Bison Manufacturing Limited were acquired on 7 September 2017 for cash consideration of £20.0m.

Transaction costs amounting to £0.2m have been recognised as an expense in the current year, appearing within administrative expenses.

Goodwill arising on acquisition

	£m
Cash consideration transferred	20.0
Less fair value of net identifiable assets acquired	(19.2)
Goodwill	**0.8**

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes. This goodwill is attributable to the capacity increases and economies of scale the Group expects to benefit from. Goodwill is allocated to the Bison Precast CGU within the Bespoke Products segment.

Intangible assets
An intangible asset of £0.4m in relation to the 'Bison' brand name has been recognised on acquisition.

Impact of the acquisition on the results of the group
Following acquisition, the acquired trade and certain assets were integrated with the Group's other precast operations and managed as one business. Therefore, post-acquisition figures have been estimated and do not reflect the synergies across the Group as a result of the Bison acquisition.

Management have estimated that incremental revenues and operating profit attributable to the trade and certain assets acquired are £5.8m and £0.1m respectively.

Management have not made such an estimate for the period from 1st January 2017 to the acquisition date as the business was embedded in the operations of the seller and incurring a number of cross-company charges.

11 Related party transactions

Transactions with related parties

	2017 £m	2016 £m
Purchases from related parties	**(1.0)**	(3.6)

Interest charged on shareholder loan note	-	(10.2)
Dividends paid to related parties	-	(2.6)

Year end balances with related parties

	2017 £m	2016 £m
Trade and other payables with related parties	-	(0.7)

The Group was under the control of Lone Star Funds and its affiliates up until 25 April 2017. On this date, Lone Star Funds completed the sell-down of its shareholding and Forterra plc was no longer under the control of an ultimate controlling party.

Up to 25 April 2017, related parties were entities under common ownership of Lone Star Funds. All related party transactions and balances were undertaken in the normal course of business and on an arm's length basis.

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

	2017 £m	2016 £m
Emoluments including taxable benefits	**(2.6)**	(2.8)
Share-based payments	**(0.5)**	(0.2)
Pension costs	**(0.2)**	(0.2)
	(3.3)	(3.2)

Information relating to Directors' emoluments, pension entitlements, share options and long-term incentive plans is included in the Annual Report to be published in April 2018.