



Prospectus



This document comprises a prospectus (the “**Prospectus**”) for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended and as implemented by European Union Prospectus Directive Regulation 2004/809/EC (the “**Prospectus Directive**”) relating to Forterra plc (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000, as amended (“**FSMA**”). This Prospectus has been filed with and approved by the FCA in accordance with section 87A of FSMA and has been made available to the public in the United Kingdom in accordance with paragraph 3.2 of the Prospectus Rules.

Application has been made to the FCA in its capacity as the competent authority under FSMA for all the ordinary shares of the Company (the “**Ordinary Shares**”), issued and to be issued in connection with the offer of certain of the Ordinary Shares to certain institutional and professional investors (the “**Offer**”) to be admitted to listing on the premium listing segment of the Official List of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “**Admission**”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. Conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 8.00 a.m. (London time) on 21 April 2016. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8.00 a.m. (London time) on 26 April 2016. **All dealings before the commencement of unconditional dealings will be on a “when issued” basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application has been made, or is currently intended to be made, for the Ordinary Shares to be admitted to listing or trading on any other exchange.**

The directors of the Company, whose names appear on page 43 of this Prospectus (the “**Directors**”), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

Prospective investors should read this Prospectus in its entirety and, in particular, Part 1 (Risk Factors) of this Prospectus for a discussion of certain risks and other factors that should be considered prior to any investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

FORTERRA PLC

(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 9963666)

**Offer of 70,000,000 Ordinary Shares of 1 pence each
at an Offer Price of 180 pence per Ordinary Share
and admission to the premium listing segment of the Official List
and to trading on the London Stock Exchange’s main market for listed securities**

*Joint Global Co-ordinator,
Joint Bookrunner and Sponsor*

Deutsche Bank

*Joint Global Co-ordinator
and Joint Bookrunner*

Credit Suisse

Joint Bookrunner

Citigroup

**ISSUED AND FULLY PAID ORDINARY SHARE CAPITAL
IMMEDIATELY FOLLOWING ADMISSION**

**Number
200,000,000**

**Nominal Value
£2,000,000**

LSF9 Concrete UK Ltd (the “**Selling Shareholder**”) is offering 70,000,000 existing Ordinary Shares (the “**Offer Shares**”) under the Offer. The Company is not issuing any new Ordinary Shares as part of the Offer and consequently will not receive any proceeds in connection with the Offer, all of which will be paid to the Selling Shareholder.

Reliance on this Prospectus

In making any investment decision, each prospective investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and associated risks. Prospective investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representation must not be relied on as having been authorised by the Company, the Selling Shareholder or any of the Banks (as defined below). Without prejudice to any legal or regulatory obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any purchase of Ordinary Shares made pursuant to it will, under any circumstances, create any implication that there has been no change in the affairs of the Company and the Group since the date of this Prospectus, or that the information contained herein is correct at any time subsequent to its date.

None of the Company, the Selling Shareholder, any of the Banks or any of their respective representatives is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The contents of this Prospectus are not to be construed as investment, legal, financial, business or tax advice. Each prospective investor should consult its own investment, legal, business, financial or tax adviser for investment, legal, business, financial or tax advice.

Advisers

Credit Suisse Securities (Europe) Limited and Citigroup Global Markets Limited are authorised by the Prudential Regulation Authority (the “PRA”) and regulated by the FCA and the PRA in the United Kingdom. Deutsche Bank AG is regulated by Germany’s Federal Financial Supervisory Authority, BaFin, and is also authorised by the PRA, but may only be subject to limited regulation by the FCA and the PRA and is acting through its London branch. Each of Deutsche Bank AG, London Branch, Credit Suisse Securities (Europe) Limited and Citigroup Global Markets Limited (together, the “Banks”) is acting exclusively for the Company and no one else in connection with the Offer. None of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Offer or any transaction, matter or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks or any of their respective affiliates accept any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Offer. Each of the Banks and each of their respective affiliates accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not in the past or future.

In connection with the Offer, each of the Banks and each of their respective affiliates acting as an investor for its or their own account(s) may purchase Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connections with the Offer or otherwise. Accordingly, references in this Prospectus to Ordinary Shares being offered, sold or otherwise dealt with should be read as including any offer to purchase or dealing by the Banks or any of them or any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Banks and their respective affiliates may in the ordinary course of their business activities enter into financing arrangements with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Banks intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

Each of the Banks and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and/or the Selling Shareholder for which they would have received customary fees. Each of the Banks and their respective affiliates may provide such services to the Company and/or the Selling Shareholder and any of its affiliates in the future.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Notice to overseas shareholders

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Ordinary Shares offered by this Prospectus may not be offered or sold in the United States, except to qualified institutional buyers (“**QIBs**”), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided in Rule 144A under the US Securities Act (“**Rule 144A**”) or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Ordinary Shares are being offered and sold outside the United States in offshore transactions in compliance with Regulations S under the US Securities Act (“**Regulation S**”) and in accordance with applicable law. Prospective investors are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. The Ordinary Shares have not been approved, disapproved or recommended by the United States Securities and Exchange Commission, any US federal or state securities commission in the United States or any other United States regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing Ordinary Shares. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Banks or their respective representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any person, other than as set out above, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Ordinary Shares.

No actions have been taken to allow a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction, including Australia, Canada, Japan or South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada, Japan or South Africa. This Prospectus does not constitute an offer of, or the solicitation of an offer to purchase, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Ordinary Shares have not been and will not be registered or qualified for distribution by this Prospectus under the applicable securities laws of Australia, Canada, Japan or South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia, Canada, Japan or South Africa.

The distribution of this Prospectus and the offer and sale of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholder or the Banks to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such

restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Available information

For so long as any of the Ordinary Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “**US Exchange Act**”), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an Ordinary Share, or to any prospective purchaser of an Ordinary Share designated by such holder or beneficial owner, in each case upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the US Securities Act.

Company’s website

Information contained on the Company’s or any other member of the Group’s website or the contents of any website accessible from hyperlinks on the Company’s or any other member of the Group’s website are not incorporated into and do not form part of this Prospectus.

Dated 21 April 2016

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introductions and warnings		
A.1	Warning	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the prospective investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid prospective investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.
Section B – Issuer		
B.1	Legal and commercial name	Forterra plc
B.2	Domicile and legal form	The Company is a public limited company incorporated on 21 January 2016, with its registered office situated in England and Wales. The principal legislation under which the Company operates is the 2006 Act.
B.3	Current operations and principal activities	Forterra is a UK leader in manufactured masonry products, with a unique combination of strong market positions in clay bricks and concrete blocks. The Group’s manufactured masonry products are standardised and usually produced in high volumes. The Group’s brick and block products are complemented by a well-rounded portfolio of bespoke construction products, which are primarily specified made-to-measure or customised products. The Group has industry recognised brands and its trusted range of clay and concrete products are used extensively within the construction industry. Bricks: the Group is the second largest manufacturer of bricks in Great Britain, with a market share of 29% calculated by annual production capacity of the Group and

		its key competitors. The Group 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 in the United Kingdom with a total production capacity of 570 million bricks per annum. Blocks: the Group is the second largest manufacturer of aircrete blocks in Great Britain, with a market share of 35% calculated by annual production capacity of the Group and its key competitors. The Group also manufactures aggregate blocks, where the Group enjoys strong sales in the South East and East of England, with a market share in this region of 34% calculated by annual production capacity of the Group and its key competitors in that region. The Group operates four block manufacturing facilities in the United Kingdom, with a total annual production capacity of 825,000 m³ of aircrete blocks and 275,000 m³ of aggregate blocks. Bespoke Products: the Group's bespoke products range comprises precast concrete, concrete block paving, chimney and roofing solutions and structural external wall insulation, each of which is primarily specified, 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 concrete block paving and chimney flues, are complemented by the Group's specification and design service. The bespoke products business operates from five manufacturing facilities in the United Kingdom.
B.4a	<i>Significant recent trends affecting the Group and the industry in which it operates</i>	The Group operates in the manufactured masonry and other building products market in the United Kingdom. Significant recent trends affecting the Group include: • as a result of the financial crisis, the level of housing construction in Great Britain declined and the rate of housing completions continue to be below the number of household formations, which the Directors believe has caused a structural undersupply of housing in the United Kingdom. In response to the undersupply and increased demand for housing in the United Kingdom, the UK Government introduced a number of policies and initiatives to seek to stimulate UK housing supply. The Directors believe that since the start of the housing recovery, with the assistance of UK Government housing initiatives, brick manufacturers in Great Britain have now brought most currently available production capacity back into operation, leading to a current production capacity of approximately 2 billion bricks per annum. With the UK population expected to increase by approximately 9.7 million over the next 25 years and the number of households in England projected to grow to approximately 24.9 million by 2024, the Directors expect the structural undersupply of housing in the United Kingdom to continue; and • housing supply and affordability has become a major policy issue within the United Kingdom with cross-party support for increased supply over recent years. The UK Government has introduced a number of policies and initiatives to seek to stimulate UK housing

		supply, such as Help to Buy, which was introduced in 2013, the Starter Home initiative and the Right to Buy scheme. More recently, in its November 2015 Spending Review, the UK Government sought to further boost the UK housing market. Along with enhancing the Help to Buy programmes, the UK Government announced that it would double the housing budget to over £2 billion per annum from 2018 to 2019, it would aim to build at least 400,000 affordable new homes by the end of 2020 and it would accelerate housing supply by reforming the UK planning system in order to release public land suitable for the construction of new homes more quickly. Against the backdrop of a number of favourable macroeconomic factors, including improving GDP growth, an increase in mortgage approvals and affordable interest rates, housing construction volume has picked up.																													
B.5	Group structure and description	The Company is a direct and wholly owned subsidiary of LSF9 Concrete UK Ltd (the “Selling Shareholder”). As a result of the Reorganisation, the Company is the holding company of the Group. The Company holds, directly and indirectly, 3 principal subsidiaries, including Forterra Holdings, a holding company, and Forterra Building Products and Struchterm, each of which are operating companies.																													
B.6	Major shareholders	In so far as is known to the Directors, the following are the interests (within the meaning of Part VI of the 2006 Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company on 20 April 2016 (the latest practicable date prior to publication of this Prospectus) assuming no exercise of the Over-allotment Option: <table><tr><th rowspan="2">Shareholder</th><th colspan="2">Immediately prior to Admission⁽¹⁾</th><th colspan="2">Immediately following Admission⁽¹⁾⁽²⁾⁽³⁾</th></tr><tr><th>Number of Ordinary Shares</th><th>Percentage of issued share capital</th><th>Number of Ordinary Shares</th><th>Percentage of issued share capital</th></tr><tr><td>LSF9 Concrete UK Ltd⁽⁴⁾⁽⁵⁾</td><td>200,000,000</td><td>100</td><td>130,000,000</td><td>65.0</td></tr><tr><td>Pelham Capital Management</td><td>—</td><td>—</td><td>13,250,000</td><td>6.6</td></tr><tr><td>JP Morgan AM</td><td>—</td><td>—</td><td>6,200,000</td><td>3.1</td></tr><tr><td>Standard Life</td><td>—</td><td>—</td><td>6,200,000</td><td>3.1</td></tr></table> Notes (1) The interests of Ordinary Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 3 of Part 14 (<i>Additional Information</i>) of this Prospectus have been completed in full. (2) Assuming no exercise of the Over-allotment Option. (3) Three additional investors are expected to acquire interests of more than 5% of the Ordinary Shares available in the Offer (assuming the Over-allotment Option is exercised in full). (4) LSF9 Concrete UK Ltd is indirectly owned by Lone Star who therefore has an indirect interest in the Ordinary Shares held by the Selling Shareholder. (5) If the Over-allotment Option is exercised in full, the Selling Shareholder will have sold a further 10,500,000 Ordinary Shares, representing 5.3% of the Company’s issued share capital. The Ordinary Shares owned by the Company’s major shareholders rank <i>pari passu</i> with other Ordinary Shares in all respects. On 21 April 2016, the Selling Shareholder and the Company entered into the Relationship Agreement which will, conditional upon Admission, regulate the ongoing relationship between the Company and the Selling Shareholder.	Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission ⁽¹⁾⁽²⁾⁽³⁾		Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	LSF9 Concrete UK Ltd ⁽⁴⁾⁽⁵⁾	200,000,000	100	130,000,000	65.0	Pelham Capital Management	—	—	13,250,000	6.6	JP Morgan AM	—	—	6,200,000	3.1	Standard Life	—	—	6,200,000	3.1
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		The principal purpose of the Relationship Agreement is to ensure that: (i) all transactions and arrangements between the Company or any other member of the Group and the Selling Shareholder and/or any of its associates shall be conducted at arm’s length and on normal commercial terms; (ii) neither the Selling Shareholder nor any of its associates take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and (iii) neither the Selling Shareholder nor any of its associates propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on an independent business as its main activity. Following Admission, the Articles allow the election of independent Directors to be conducted in accordance with any requirement of the Listing Rules. In all other circumstances, the Company’s major shareholders have and will have the same voting rights attached to the Ordinary Shares as all other Shareholders.																																																																																
B.7	Key financial information and narrative description of significant changes to financial condition and operating results of the Group during or subsequent to the period covered by the historical key financial information	The selected financial information set out below has been extracted without material adjustment from the historical financial information relating to the Group included in Section B of Part 11 (<i>Historical Financial Information</i>) of this Prospectus. Combined and consolidated income statements <table><tr><th></th><th colspan="3">For the year ended 31 December</th></tr><tr><th></th><th>2013</th><th>2014</th><th>2015</th></tr><tr><th></th><th><i>£000s</i></th><th><i>£000s</i></th><th><i>£000s</i></th></tr><tr><td>Revenue</td><td>225,862</td><td>268,073</td><td>290,220</td></tr><tr><td>Cost of sales</td><td>(162,666)</td><td>(167,735)</td><td>(167,669)</td></tr><tr><td>Gross profit</td><td>63,196</td><td>100,338</td><td>122,551</td></tr><tr><td>Distribution costs</td><td>(39,818)</td><td>(42,281)</td><td>(45,296)</td></tr><tr><td>Administrative expenses</td><td>(22,977)</td><td>(20,491)</td><td>(28,225)</td></tr><tr><td>Other operating income</td><td>1,481</td><td>1,110</td><td>505</td></tr><tr><td>Operating profit</td><td>1,882</td><td>38,676</td><td>49,535</td></tr><tr><td>EBITDA before exceptional items</td><td>22,258</td><td>54,620</td><td>70,531</td></tr><tr><td>Less exceptional items</td><td>(9,757)</td><td>(6,543)</td><td>(11,569)</td></tr><tr><td>Less depreciation and amortisation</td><td>(10,619)</td><td>(9,401)</td><td>(9,427)</td></tr><tr><td>Operating profit</td><td>1,882</td><td>38,676</td><td>49,535</td></tr><tr><td>Net finance expense</td><td>(369)</td><td>(5,261)</td><td>(27,335)</td></tr><tr><td>Profit before tax</td><td>1,513</td><td>33,415</td><td>22,200</td></tr><tr><td>Income tax expense</td><td>(3,062)</td><td>(9,260)</td><td>(4,155)</td></tr><tr><td>(Loss)/profit for the financial period</td><td>(1,549)</td><td>24,155</td><td>18,045</td></tr><tr><td>Attributable to:</td><td></td><td></td><td></td></tr><tr><td>Owners of the parent</td><td>(1,549)</td><td>24,155</td><td>18,045</td></tr></table>		For the year ended 31 December				2013	2014	2015		<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	Revenue	225,862	268,073	290,220	Cost of sales	(162,666)	(167,735)	(167,669)	Gross profit	63,196	100,338	122,551	Distribution costs	(39,818)	(42,281)	(45,296)	Administrative expenses	(22,977)	(20,491)	(28,225)	Other operating income	1,481	1,110	505	Operating profit	1,882	38,676	49,535	EBITDA before exceptional items	22,258	54,620	70,531	Less exceptional items	(9,757)	(6,543)	(11,569)	Less depreciation and amortisation	(10,619)	(9,401)	(9,427)	Operating profit	1,882	38,676	49,535	Net finance expense	(369)	(5,261)	(27,335)	Profit before tax	1,513	33,415	22,200	Income tax expense	(3,062)	(9,260)	(4,155)	(Loss)/profit for the financial period	(1,549)	24,155	18,045	Attributable to:				Owners of the parent	(1,549)	24,155	18,045
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Attributable to:																																																																																		
Owners of the parent	(1,549)	24,155	18,045																																																																															

Combined and consolidated statements of financial position			
	As at 31 December		
	2013	2014	2015
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Assets			
Non-current assets			
Intangible assets	16,587	16,597	13,285
Property, plant and equipment . . .	142,378	144,846	149,544
Deferred tax assets	1,914	753	1,794
	160,879	162,196	164,623
Current assets			
Inventories	28,363	30,620	40,924
Trade and other receivables	23,514	20,904	28,558
Trade and other receivables with related parties	41,289	8,960	23,015
Cash and cash equivalents	13,811	20,978	24,189
	106,977	81,462	116,686
Total assets	267,856	243,658	281,309
Capital and reserves attributable to the equity shareholders of the parent			
Ordinary shares	—	90	90
Share premium	—	46,536	46,536
HeidelbergCement AG invested capital	214,628	—	—
Accumulated deficit	—	(275,216)	(257,171)
Total equity	214,628	(228,590)	(210,545)
Non-current liabilities			
Provisions for other liabilities and charges	10,551	11,812	11,656
	10,551	11,812	11,656
Current liabilities			
Trade and other payables	39,190	40,925	55,610
Trade and other payables to related parties	904	11,486	13,903
Income tax liabilities	—	—	1,890
Borrowings from related parties	—	405,000	405,578
Provisions for other liabilities and charges	2,583	3,025	3,217
	42,677	460,436	480,198
Total liabilities	53,228	472,248	491,854
Total equity and liabilities	267,856	243,658	281,309

Combined and consolidated statements of cash flows			
	For the year ended 31 December		
	2013	2014	2015
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Cash flows from operating activities			
Profit before taxation	1,513	33,415	22,200
Adjustments for:			
– Depreciation	10,018	9,101	9,118
– Amortisation	601	300	309
– Impairment expense/ (credit)	3,300	(5,511)	2,410
– (Profit)/loss on disposal of fixed assets	(32)	474	(30)
– Net finance expense	369	5,261	27,335
– Non-cash movement on provisions	1,820	1,721	1,074
– Other non-cash items	—	—	690
Changes in working capital:			
– Inventories	8,524	(2,257)	(10,304)
– Trade and other receivables	13,581	(4,655)	(23,344)
– Trade and other payables	829	4,854	21,895
– Cash movement on provisions	(2,774)	(1,495)	(1,394)
Cash generated from operations	37,749	41,208	49,959
Interest paid	(83)	(4,138)	(26,401)
Tax paid	—	—	(3,306)
Net cash inflow from operating activities	37,666	37,070	20,252
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,814)	(4,973)	(12,421)
Purchase of intangible assets	(672)	(593)	—
Proceeds from sale of property, plant and equipment	66	228	58
Net cash outflow from investing activities	(3,420)	(5,338)	(12,363)
Cash flows from financing activities			
Capital distribution to parent and settlement of cash pooling balance	(33,824)	(24,565)	(4,678)
Net cash used in financing activities	(33,824)	(24,565)	(4,678)
Net increase in cash and cash equivalents	422	7,167	3,211
Cash and cash equivalents at the beginning of the period	13,389	13,811	20,978
Cash and cash equivalents at the end of the period	13,811	20,978	24,189

		Certain significant changes to the Group's financial condition and results of operations occurred during the years ended 31 December 2013, 31 December 2014 and 31 December 2015. These changes are set out below. The Group's revenue increased by £42.2 million, or 18.7%, to £268.1 million in 2014 from £225.9 million in 2013, while the Group's revenue increased by £22.1 million, or 8.3% to £290.2 million in 2015 from £268.1 million in 2014. Price increases of the Group's bricks and blocks were the largest contributor to these increases, driven by strong demand, due to a perception of limited availability of bricks in the United Kingdom market. Price increases were partially offset by sales of fewer bricks in 2015, which the Directors believe was due primarily to the Group's customers overstocking with bricks in 2014 and the start of 2015, particularly with imports from continental Europe, due to a perceived shortage of supply of bricks in the United Kingdom market during the same period. The Group achieved a profit after tax of £24.2 million in 2014, an increase of £25.7 million, from a loss of £1.5 million in 2013, while the Group achieved a profit before tax of £18.0 million in 2015, a decrease of £6.1 million, or 25.3%, from £24.2 million in 2014. The increase between 2013 and 2014 was due primarily to higher prices charged for the Group's products, particularly its bricks and blocks, improvements in operating efficiencies and increased production output across the Group's businesses to meet increased demand. The decrease between 2014 and 2015 was due primarily to higher finance costs and sales of fewer bricks, for the reasons described above, partially offset by higher prices charged for the Group's products. Save for the Reorganisation, there has been no significant change in the financial position or results of operations of the Group since 31 December 2015, the date to which the last audited combined and consolidated financial information of the Group was prepared.
B.8	<i>Key pro forma financial information</i>	The unaudited pro forma statement of net assets set out below has been prepared to illustrate the impact of the Reorganisation (including the drawdown of the New Facilities) and the Offer on the net assets of the Group, had the Reorganisation (including the drawdown of the New Facilities) and the Offer taken place on 31 December 2015. The unaudited pro forma information is based on the audited consolidated net assets of the Group as at 31 December 2015 as shown in Section B of Part 11 (<i>Historical Financial Information</i>) of this Prospectus and is compiled on a basis consistent with the accounting policies of the Group. This unaudited pro forma information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results, nor is it indicative of results that may or may not be achieved in the future. The unaudited pro forma statement of net assets has been compiled on the basis set out in the notes below and in accordance with the requirements of Annex II of the Prospectus Directive Regulation.

	Consolidated net assets of the Group as at 31 December 2015	Estimated fees in relation to the Offer	Re- organisation	Unaudited pro forma net assets as at 31 December 2015
	£000s Note 1	£000s Note 2	£000s Note 3	£000s
Assets				
Non-current assets				
Intangible assets	13,285	—	—	13,285
Property, plant and equipment	149,544	—	—	149,544
Deferred tax assets . . .	1,794	—	—	1,794
	164,623	—	—	164,623
Current assets				
Inventories	40,924	—	—	40,924
Trade and other receivables	28,558	—	—	28,558
Trade and other receivables with related parties	23,015	—	(23,015)	—
Cash and cash equivalents	24,189	(12,044)	16,398	28,543
	116,686	(12,044)	(6,617)	98,025
Total assets	281,309	(12,044)	(6,617)	262,648
Liabilities				
Non-current liabilities				
Borrowings	—	—	147,087	147,087
Provisions for other liabilities and charges	11,656	—	—	11,656
	11,656	—	147,087	158,743
Current liabilities				
Trade and other payables	55,610	(2,818)	—	52,792
Trade and other payables to related parties	13,903	—	(13,903)	—
Income tax liabilities	1,890	—	—	1,890
Borrowings from related parties	405,578	—	(405,578)	—
Borrowings	—	—	10,000	10,000
Provisions for other liabilities and charges	3,217	—	—	3,217
	480,198	(2,818)	(409,481)	67,899
Total liabilities	491,854	(2,818)	(262,394)	226,642
Net (liabilities)/assets . .	(210,545)	(9,226)	255,777	36,006
Notes				
(1) The financial information has been extracted without material adjustment from the combined and consolidated financial information of the Group as set out in Section B of Part 11 (<i>Historical Financial Information</i>) of this Prospectus.				
(2) The total estimated fees payable in connection with the Offer, exclusive of capitalised debt arrangement fees, are £14,365,000. £2,320,000 of transaction fees were paid prior to 31 December 2015, leaving £12,044,000 of fees to be paid out on Admission, including £2,818,000 which was accrued at 31 December 2015.				
(3) This column reflects the Reorganisation as set out in paragraph 3 of Part 14 (<i>Additional Information</i>) of this Prospectus as if the Reorganisation had taken place on 31 December 2015. Had the Reorganisation occurred on 31 December 2015 it would have resulted in a repayment of the £405,578,000 borrowings from related parties and settlement of £13,903,000 trade and other payables from related parties through drawdowns of £157,087,000 on the New Facilities (£160,000,000 net of £2,913,000 capitalised debt arrangement fees for the New Facilities of which £10,000,000 is a current liability), through settlement of trade and other receivables with related parties of £23,015,000 and the issue of £255,777,000 equity in the Company to the Selling Shareholder. Additional interest payable on the borrowings from related parties at the date of settlement will be £1,994,000, reflecting the interest accruing in the period from 31 March 2016 to the date of repayment. No adjustment has been made for this. Net amounts receivable from related parties have reduced by £5,816,000 in the period from 31 December 2015 to the date of the Reorganisation. No adjustment has been made for this.				

B.9	<i>Profit forecast</i>	Not applicable. There is no profit forecast or estimate.
B.10	<i>Description of the nature of any qualifications in the audit report on the historical financial information</i>	Not applicable. There are no qualifications to the accountant's report on the historical financial information.
B.11	<i>Insufficient working capital</i>	Not applicable. In the opinion of the Company, taking into account the bank and other facilities available to the Group (including the New Facilities), the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.
Section C – Securities		
C.1	<i>Type and class of securities</i>	The Offer comprises 70,000,000 Ordinary Shares with a nominal value of 1 pence each which are to be sold by the Selling Shareholder. In addition, a further 10,500,000 Ordinary Shares are being made available by the Selling Shareholder (the “Over-allotment Shares”) pursuant to the Over-allotment Option. When admitted to trading, the Ordinary Shares will have an International Security Identification Number of GB00BYYW3C20 and Stock Exchange Daily Official List number BYYW3C2. It is expected that the Ordinary Shares will be traded on the London Stock Exchange under the ticker symbol “FORT”. The Ordinary Shares comprise the entire issued share capital of the Company.
C.2	<i>Currency</i>	The Ordinary Shares are denominated in pounds sterling.
C.3	<i>Number of securities to be issued</i>	On Admission, the issued share capital of the Company will be £2,240,725, comprising 200,000,000 Ordinary Shares of £0.01 each and one deferred share of £240,725, all of which will be fully paid or credited as fully paid. The deferred share of the Company will be cancelled after Admission. No new Ordinary Shares are being issued by the Company in the Offer.
C.4	<i>Description of the rights attaching to the securities</i>	The Ordinary Shares rank <i>pari passu</i> in all respects with each other, including for voting purposes and in full for all dividends and distributions on Ordinary Shares declared, made or paid after their issue and for any distributions made on a winding up of the Company. Subject to the provisions of the 2006 Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The 2006 Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. Except in relation to dividends which have been declared and rights on liquidation of the Company, the Shareholders have no rights to share in the profits of the Company. The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on- or off-market, subject to the 2006 Act and the requirements of the Listing Rules.
C.5	<i>Restrictions on the free transferability of the securities</i>	Not applicable. There are no restrictions on the free transferability of the Ordinary Shares.

C.6	<i>Admission</i>	Application has been made to the FCA for all of the Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8.00 a.m. (London time) on 26 April 2016.
C.7	<i>Dividend policy</i>	The Directors intend to adopt a progressive dividend policy while maintaining an appropriate level of dividend cover. This dividend policy will reflect the long-term earnings and cash-flow potential of the Group whilst also ensuring that there is sufficient capital in the Group to fund continued investment. There are no guarantees that the Company will pay dividends or regarding the level of any such dividends. Accordingly, prospective investors should not place any reliance on these targets in deciding whether to invest in the Ordinary Shares and should not assume that Forterra will make any distributions at all. Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The first dividend to be paid by the Company is intended to be an interim dividend in respect of the year ending on 31 December 2016, to be announced with the Company's interim results in September 2016 and paid in October 2016. The Directors intend to recommend a final dividend in March 2017, which will be announced together with the Company's annual results, in respect of the financial year ending 31 December 2016, and which will be paid in July 2017. For the current financial year ending 31 December 2016, the Directors intend that the Company declare an aggregate dividend equivalent to approximately 40% of the Group's adjusted net income, to be paid as an interim and a final dividend in the relevant proportions and to be adjusted on a pro rata basis for the period from Admission to 31 December 2016. Thereafter, Forterra intends to follow a progressive dividend policy as outlined above. Forterra may revise its dividend policy from time to time.
Section D – Risks		
D.1	<i>Key information on the key risks specific to the issuer and its industry</i>	Demand for the Group's products is closely correlated with residential construction activities, comprising the new build and RMI construction sectors, and commercial construction activities in the United Kingdom. The level of new build and RMI construction activity, and therefore demand for the Group's products, is influenced by, and sensitive to, a number of macroeconomic factors. Downturns in the construction industry could have an adverse effect on demand for the Group's products. The Group's business, results of operations and financial condition have in the past been, and may in the future be, materially adversely affected by general economic and

		global financial market conditions. These factors also impact the business of the Group's customers and suppliers and the industry in which the Group operates. The Group's growth prospects depend, to a significant extent, on the degree to which conditions in the residential new build, residential RMI and commercial construction markets in the United Kingdom develop in the future, which may not be sustained. If the UK housebuilding industry does not increase its production capacity, it may not grow as forecasted or in line with longer term UK Government ambitions, and demand for the Group's products could be adversely affected. If the United Kingdom votes to leave the European Union in the June 2016 referendum, this could materially and adversely affect the operational and regulatory regime to which the Group is currently subject. Competition from imported bricks could have a material adverse effect on the Group. The Directors believe that demand for bricks in the United Kingdom will continue to exceed domestic production capacity over the next few years and, as a result, UK customers may switch to or continue to purchase imported brick products if alternative sources of domestic supply are not available. Reduced levels of mortgage lending or availability of consumer credit could have a material adverse effect on the Group. Any change in, or failure of, certain of the UK Government's housebuilding and home buying incentive schemes and programmes, particularly the Help to Buy scheme, could reduce residential construction activity in the United Kingdom and therefore demand for the Group's products. Any change to UK planning regulations could inhibit the long-term growth potential of the brick market and therefore the Group's products. The markets in which the Group sells its products are highly competitive. Any failure to successfully compete in those markets could have a material adverse effect on the Group. The Group uses significant amounts of energy in the manufacture and sale of its products. Any increase in the cost of energy could have a material adverse effect on the Group. The Group is also reliant on the availability of raw materials at a reasonable cost. Increases in the cost or decreased availability of raw materials, particularly pulverised fuel ash used in the Group's aircrete blocks, could have a material adverse effect on the Group. If the Group is unable to pass on any cost increase of its raw materials and energy to its customers through price increases, it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group may not have adequate clay reserves for its future needs. If the Group is unable to attract or retain senior management or experiences a shortage of available skilled workers, it may adversely affect its operations.
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		Any inability to successfully implement the Group's strategy could have a material adverse effect on the Group. The emergence of new construction techniques and alternative building materials could decrease demand for the Group's products and may have an adverse effect on the Group. The Directors expect demand for the Group's Fletton bricks may decline in the future as this type of brick is primarily used for RMI work in properties originally built with Fletton bricks, but rarely used for residential new build or commercial construction. The number of Fletton-clad buildings requiring repairing, remodeling or extending is expected to diminish over time. Any such decline may have a material adverse effect on the Group. A material disruption at one or more of the Group's manufacturing facilities or quarries or in the Group's supply chain could prevent the Group from meeting demand or require the Group to incur unplanned capital expenditure and could have a material adverse effect on the Group. Fluctuations in the price of the Group's products or the Group's ability to maintain its profit margins could have a material adverse effect on the Group. The Group is dependent on key customers with whom it does not have long-term contracts. A loss of any of the Group's key customers could have a material adverse effect on the Group. The Group is subject to a broad range of increasingly stringent laws and regulations governing the protection of the environment. Any failure to comply with these laws or regulations or any increased costs related to future environmental laws and regulations, which the Group is unable to recover from its customers, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group is subject to health and safety laws and any failure to comply with such current or future laws could have a material adverse effect on the Group. The terms of the Group's debt and any requirement to incur further indebtedness or refinance the Group's indebtedness in the future could have a material adverse effect on the Group.
D.3	<i>Key information on the key risks specific to the securities</i>	There is no existing market for the Ordinary Shares and an active trading market for the Ordinary Shares may not develop or be sustained. Moreover, even if a market develops, the Ordinary Shares may be subject to market price volatility and the market price of the Ordinary Shares may decline disproportionately in response to developments that are unrelated to the Group's operating performance, or as a result of sales of substantial amounts of such Ordinary Shares in the public markets, for example following the expiry of the relevant lock-up period or the issuance of additional Ordinary Shares in the future, and Shareholders could earn a negative or no return on, or otherwise experience a dilution of, their investment in the Company.

		In addition, the Selling Shareholder will retain a significant interest in, and will continue to exert substantial influence over, the Group following Admission and its interests may differ from or conflict with those of other Shareholders. Finally, Shareholders in the United States and other jurisdictions outside the United Kingdom may not be able to participate in future equity offerings and consequently their respective shareholding may be diluted.
Section E – Offer		
E.1	<i>Net proceeds and costs of the offer</i>	The Company is not raising any proceeds from the Offer. Net proceeds of approximately £121.6 million will be received by the Selling Shareholder from the sale of the Offer Shares (assuming no exercise of the Over-allotment Option), net of underwriting commissions, VAT (if applicable) and stamp duty or SDRT of approximately £4.4 million. The aggregate expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Company are estimated to be approximately £17.3 million (including VAT to the extent it is a cost to the Company), which the Company intends to pay out of existing cash resources (to the extent they have not already been paid) and proceeds made available under the New Facilities. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Ordinary Shares pursuant to the Offer.
E.2a	<i>Reasons for the offer and use of proceeds</i>	The Selling Shareholder is looking to realise part of its investment in the Group by way of the Offer. In addition, the Directors believe that the Offer and Admission will: (a) position the Group for the next stage of its strategic growth, by providing it with an appropriate capital structure to take advantage of the growing UK housing market; (b) provide the Group with access to a wider range of capital raising options which may be of use in the future; (c) further improve the Group's ability to recruit, retain and incentivise key management and employees; and (d) create a liquid market in the Ordinary Shares for existing and future Shareholders. The Company will not receive any proceeds from the Offer. No commissions, fees or expenses will be charged by the Company or the Selling Shareholder to any purchaser of Offer Shares.
E.3	<i>Terms and conditions of the offer</i>	The Offer consists of an institutional offer only. In the Offer, Ordinary Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

		The Ordinary Shares allocated under the Offer have been fully underwritten, subject to certain conditions, by the Banks. Allocations under the Offer will be determined in the sole discretion of the Selling Shareholder in consultation with the Joint Global Co-ordinators. All Ordinary Shares sold pursuant to the Offer will be sold, payable in full, at the Offer Price. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) on 26 April 2016. Settlement of dealings from that date will be on a three day rolling basis. Prior to Admission, conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 21 April 2016. The earliest date for such settlement of such dealings will be 26 April 2016.																				
E.4	<i>Material interests</i>	The Company considers that the Selling Shareholder has interests that are material to the Offer by virtue of the size of its shareholding in the Company. The Company does not consider that these are conflicting interests, or that there are any other interests, including conflicts of interest, that are material to the Offer.																				
E.5	<i>Selling Shareholder and lock-up</i>	<i>(a) Expected interests of the Selling Shareholder immediately prior to and following Admission</i> 70,000,000 Ordinary Shares will be sold by the Selling Shareholder in the Offer (assuming no exercise of the Over-allotment Option). A further 10,500,000 Ordinary Shares are being made available by the Selling Shareholder pursuant to the Over-allotment Option. The indicative interests in Ordinary Shares of the Selling Shareholder immediately prior to Admission, together with its interests in Ordinary Shares immediately following Admission, are set out in the table below. <table><tr><th rowspan="2">Shareholder</th><th colspan="2">Immediately prior to Admission</th><th colspan="2">Ordinary Shares to be sold pursuant to the Offer</th><th colspan="2">Immediately following Admission⁽¹⁾</th></tr><tr><th>Number of Ordinary Shares</th><th>Percentage of issued share capital</th><th>Number of Ordinary Shares</th><th>Percentage of issued share capital</th><th>Number of Ordinary Shares</th><th>Percentage of issued share capital</th></tr><tr><td>LSF9 Concrete UK Ltd⁽²⁾</td><td>200,000,000</td><td>100</td><td>70,000,000</td><td>35.0</td><td>130,000,000</td><td>65.0</td></tr></table> Notes ⁽¹⁾ Assuming no exercise of the Over-allotment Option. ⁽²⁾ LSF9 Concrete UK Ltd is indirectly owned by Lone Star which therefore has an indirect interest in the Ordinary Shares held by the Selling Shareholder. <i>(b) Lock-up arrangements</i> Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.	Shareholder	Immediately prior to Admission		Ordinary Shares to be sold pursuant to the Offer		Immediately following Admission ⁽¹⁾		Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	LSF9 Concrete UK Ltd ⁽²⁾	200,000,000	100	70,000,000	35.0	130,000,000	65.0
Shareholder	Immediately prior to Admission			Ordinary Shares to be sold pursuant to the Offer		Immediately following Admission ⁽¹⁾																
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital																
LSF9 Concrete UK Ltd ⁽²⁾	200,000,000	100	70,000,000	35.0	130,000,000	65.0																

		Pursuant to the Underwriting Agreement, the Selling Shareholder and the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Selling Shareholder, and 365 days in respect of the Directors, in each case from the date of Admission, they will not, without the prior written consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.
E.6	<i>Dilution</i>	Not applicable. As no new Ordinary Shares are being issued in the Offer, existing Shareholders will not experience dilution from the Offer.
E.7	<i>Expenses charged to the investor</i>	Not applicable. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Ordinary Shares pursuant to the Offer.

PART 1

RISK FACTORS

An investment in the Ordinary Shares involves a number of risks. Accordingly, prior to making any decision to invest in the Ordinary Shares, prospective investors should carefully consider the risks and uncertainties associated with any investment in securities and, in particular, the Ordinary Shares, as well as the risks and uncertainties associated with the Group's business and the industry in which the Group operates, in each case, as described below, together with all other information contained in this Prospectus. The risk factors set out below do not purport to be a complete list or explanation of all the risks and uncertainties involved in investing in the Ordinary Shares or that may adversely affect the Group's business, financial condition, results of operations and prospects. Other risks and uncertainties relating to an investment in the Ordinary Shares and to the Group's business and the industry in which it operates that are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition, results of operations and prospects. If the risks described herein or any such other risks occur, the market price of the Ordinary Shares may decline and investors in the Ordinary Shares could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances. If prospective investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities.

Prospective investors should note that the risks and uncertainties relating to the Group's business and industry and the Ordinary Shares summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor considering an investment in the Ordinary Shares. However, as the risks and uncertainties which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus entitled "Summary", but also, among other things, the additional risks and uncertainties described below.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks faced by the Group described in this Part 1 (Risk Factors) of this Prospectus. See the paragraph entitled "Information regarding forward-looking statements" contained in Part 2 (Presentation of Financial and Other Information) of this Prospectus for further information relating to forward-looking statements. Subject to any obligations under applicable law, including the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, the Company undertakes no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Prospectus.

Risks relating to the Group's business and industry

Reduced construction activity in the United Kingdom, particularly residential new build and RMI construction, could have a material adverse effect on the Group

Demand for the Group's products is closely correlated with residential construction activities, comprising the new build and repair, maintenance and improvement ("**RMI**") construction sectors, and commercial construction activities in the United Kingdom. The Directors estimate that in 2015, 55% of the Group's revenue was generated from residential new build construction activities and 40% was generated from residential RMI construction activities, with the remaining 5% generated from commercial construction activities. Downturns in the construction industry could have an adverse effect on demand for the Group's products.

The level of new build and RMI construction activity and therefore demand for construction materials and the Group's products is influenced by, and sensitive to, a number of factors, resulting in a degree of cyclicity. These factors include mortgage availability, the cost of financing (especially mortgage financing and mortgage interest rates), interest rates, inflation, unemployment levels, household formation rates, domestic population growth, gross domestic product, immigration rates, residential vacancy and foreclosure rates, demand for second homes, existing house prices, rental costs, housing inventory levels, consumer confidence, seasonal weather factors, government regulation, policy and incentives, including, for example, the UK Government's home buying and housebuilding incentive schemes and programmes as further described in the paragraph entitled "Any change in, or failure of, certain of the UK Government's housebuilding and home buying incentive schemes and programmes could materially affect the Group" in this Part 1 (Risk Factors) of this Prospectus, planning and

environmental regulation, increases in tax and stamp duty rates and other general economic factors. Although these factors may not impact the residential RMI construction sectors to the same extent as the residential new build construction sector, the Directors believe that consumer confidence does affect residential RMI expenditure and demand for the Group's products. Commercial construction activity is primarily driven by business investment, availability of finance and interest rates, as well as the same economic fundamentals as for the residential construction industry.

The Group's business may be adversely affected by general economic and global financial market conditions

The Group's business, financial condition, results of operations and prospects have in the past been, and may in the future be, materially adversely affected by general economic and global financial market conditions. These factors also impact the business of the Group's customers and suppliers and the construction industry in which the Group operates. This is particularly true with respect to macroeconomic factors within the European Union. As a result of the financial crisis, residential construction activity, in both the residential new build and RMI sectors, and commercial construction activity in the United Kingdom dipped significantly, and growth since that period has been relatively modest. As a result, demand for many of the Group's products decreased and the Group and its competitors reduced both brick and block production capacity and brick and block stocks and, in the case of the Group, production capacity and stocks of its bespoke products. Although demand for the Group's products has stabilised and improved, it may not reach previous levels and growth may not be sustained. Since 2010, several European Union countries, including Greece, Ireland, Italy, Spain, and Portugal have faced, and continue to face, budgetary issues, some of which may have negative long-term effects on the economies of those countries and other members of the European Union, including the United Kingdom. There is continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among Member States.

While the macroeconomic environment in the United Kingdom has improved in recent years, current macroeconomic trends may not continue and negative events may occur in the United Kingdom or elsewhere that would have an adverse effect on macroeconomic conditions in the future. Moreover, short-term macroeconomic conditions can produce short-term downturns, which can negatively impact demand for the Group's products for a shorter period of time and make it difficult for the Group to forecast production needs. As a result of adverse changes in the macroeconomic climate, including short-term downturns, the Group may consequently face decreases in demand for its products, which may result in overcapacity, reduced sales volumes and declining revenue and/or margins. Any deterioration in macroeconomic conditions or the housing market could require the Group to reduce brick, block and bespoke products production capacity and stocks. Furthermore, any failure to adequately utilise the Group's production capacities as a result of low levels of demand could adversely affect the Group's profitability. These factors, if they materialise, or if difficult macroeconomic conditions occur, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to risks related to the UK Government's decision to hold a referendum on the United Kingdom's continued membership of the European Union

The Group faces potential risks associated with the referendum on the United Kingdom's continued membership of the European Union, which is scheduled to take place on 23 June 2016, and potential uncertainty preceding and following the referendum. If the outcome of the referendum is a vote in favour of the United Kingdom leaving the European Union, this could materially and adversely affect the operational and regulatory regime to which the Group is currently subject, particularly in respect of taxation and environmental laws. Furthermore, the current shortage of skilled workers experienced by the construction industry in the United Kingdom (as described in the paragraph entitled "*Shortages in skilled workers in the construction industry in the United Kingdom may have a material adverse effect on the Group*" in this Part 1 (*Risk Factors*) of this Prospectus) may increase if the United Kingdom votes to leave the European Union, which could lead to fewer new homes being built over the next few years and reduced demand for the Group's products, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

An exit of the United Kingdom from the European Union could also have an even greater impact on the fiscal, monetary and regulatory landscape in the United Kingdom and could have a material impact on its economy and the future growth of its various industries, including those in which the Group and its customers and suppliers operate. It could also result in prolonged uncertainty regarding aspects of the UK economy and damage customers' and investors' confidence. Any of these events, as well as an exit or expulsion of a Member State other than the United Kingdom from the European Union, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The growth currently being experienced in the residential construction market in the United Kingdom may not be sustained

The Group's growth prospects depend, to a significant extent, on continued growth in the residential new build and/or residential RMI construction markets in the United Kingdom. New build construction rates are generally measured by the number of housing starts and the number of housing completions, while RMI activity, on the other hand, generally performs in line with economic output. The Construction Products Association (the "CPA") expects housing completions in Great Britain to continue to grow at a rate of 4% per annum for the period from 2015 to 2018, whilst it expects economic output growth of approximately 2% per annum between 2015 and 2018, driven by a recovery in housing transaction volumes and consumer confidence. However, the current growth in the residential construction market in Great Britain may not continue or the market may again contract. If the housebuilding industry in the United Kingdom does not increase the number of housing completions per annum, it may not grow as forecasted or in line with longer-term UK Government ambitions, and demand for the Group's products could be adversely affected. Although currently the new build residential market in the United Kingdom is largely dominated by house builds rather than apartment builds, with approximately 69% of UK homes comprising non-flat housing compared to 52% in 2008 according to the National House Building Council, any change to this market pattern could have a material adverse impact on demand for the Group's bricks as, on average, a new build semi-detached house typically uses two to three times more bricks per unit than a new apartment. If land prices increase in the future, demand for new apartments could increase and the demand for new houses could decrease, reducing the overall demand for bricks or leading to a reduction in building activity. Due to uncertainty regarding the timing and extent of the current growth and resulting increased product demand levels, the Group's results of operations may vary materially in response to conditions in the construction market and/or changes in the supply and demand for its products. Any failure in the continued recovery of the construction markets in the United Kingdom, particularly the residential construction market, or any future uncertainty or downturns in these markets, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Competition from imported bricks could have a material adverse effect on the Group

In response to the financial crisis, the Directors estimate that UK industry participants reduced total UK brick production capacity by 20% and reduced brick stocks. The housing market in the United Kingdom began to recover in the first quarter of 2013, and by 2014 there was a short-term shortage of supply in the brick market in the United Kingdom, leading a number of the Group's customers to overstock with bricks due to concerns over brick supply, particularly with imports from continental Europe. The Directors believe that UK customers may switch to, or continue to purchase, imported bricks if competitive sources of domestic supply are not available. During periods of strong demand, lack of product availability or price increases could harm the Group's relationships with its customers. As such, if the Group's production capacity does not increase to meet the higher levels of demand during times of strong future demand or if brick imports are offered at more favourable pricing terms, the Group may face increasing levels of competition from such imports, which may result in loss of customers and loss of market share. Furthermore, imported bricks could be of differing quality or could employ alternative designs and formulations to domestic bricks, causing consumers to favour them over domestic bricks.

Reduced levels of mortgage lending or other reductions in the availability of consumer credit could have a material adverse effect on the Group

Most home purchases in the United Kingdom are financed through mortgages and a significant percentage of RMI activities are financed either through mortgages or other available credit. The financial crisis affected the financial position of consumers and led financial institutions to tighten their lending criteria, each of which contributed to a reduction in credit available to consumers. The mortgage lending industry also experienced significant instability because of, among other factors, a decline in residential property values and an increase in mortgage delinquencies, defaults and foreclosures. These developments, among other factors, resulted in a significant reduction of total new housing starts in Great Britain, which according to the CPA stood at 220,278 units in 2007 and decreased to a low of 107,218 units in 2009, and consequently a reduction in demand for the Group's products. Similarly, the rate of interest payable on any mortgage or other form of credit will have an impact on the cost of borrowing. While the base rate applied by the Bank of England is currently only 0.5%, the base rate may rise over the next few years. Any increase in interest rates will increase the cost of borrowing and may make the cost of purchasing a home less attractive. Any future tightening of mortgage lending or other reductions in the availability of credit in the United Kingdom, as well as any increase in interest rates, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any change in, or failure of, certain of the UK Government's housebuilding and home buying incentive schemes and programmes could materially affect the Group

The residential construction industry, and the general level of residential and other construction activity, depends in part on the UK Government's housebuilding or home buying initiatives, as well as the UK Government's investment in public housing, as further described in Part 5 (*Industry Overview*) of this Prospectus.

The UK Government has recognised that there are not enough homes to meet the needs of the United Kingdom's growing and ageing population and has implemented a number of initiatives aimed at increasing the number of new homes built in the United Kingdom, such as the Help to Buy programme, the Starter Home Initiative and the Right to Buy programme. Further details of these and other initiatives are set out in paragraph 4 of Part 5 (*Industry Overview*) of this Prospectus. Any unexpected change in support for, or financing of, Help to Buy and other incentive schemes or programmes could result in reduced residential construction activity in the United Kingdom, which could, in turn, negatively affect the demand for the Group's products in the United Kingdom and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The UK Government's current policies and initiatives may not be effective in the future. Changes to budgets, regulation, the governing political party in the United Kingdom and the make-up of that party, the relationships between local and national government or other external factors may impact the continuation of the Help to Buy programme, the Starter Home Initiative or other similar schemes or programmes. Any change that discontinues, eliminates, reduces or otherwise negatively impacts these types of spending initiatives, or the failure of any of these initiatives or other subsidies to be fully utilised, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Changes in the UK Government or local authority planning regulations could adversely affect the Group's business

The brick market in the United Kingdom is also impacted by planning regulations and consents, which are granted with conditions, often stipulating the use of particular materials, including brick, to maintain the appearance of the local area. As brick is the leading material from which houses have historically been built in the United Kingdom, planning guidelines currently encourage the continued use of brick for new house builds. Changes to these planning guidelines could inhibit the long-term growth potential of the brick market by reducing the demand for brick, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The UK Government has emphasised its commitment to streamlining the planning system and expanding the scale of housing development in the United Kingdom. Planning permissions are granted by local authorities, which have been known to be obstructive by not releasing brownfield land for development in order to protect local communities. The planning process in the United Kingdom is also time-consuming. The Directors believe that applications for housing development in the United Kingdom typically take between nine and 18 months to be granted from the initial application. The Housing Bill that was announced by the UK Government in October 2015 reinforced the UK Government's commitment to shorten the planning process in order to build more new homes, however, it has not been welcomed by the other major political parties. In its November 2015 Spending Review the UK Government announced that it would accelerate homebuilding by reforming the planning system in order to release public land suitable for the construction of new homes more quickly. If changes to the UK planning system are not implemented in the near term, or if further powers are given to local authorities in the planning process which, in turn, continue to be obstructive, the UK Government may fail to successfully implement certain of its incentive schemes and programmes referred to above.

Any failure effectively to compete in the Group's markets could have a material adverse effect on the Group

The markets in which the Group sells its products are highly competitive and the Group may be unable to maintain or increase its market share. The Group primarily competes with a small number of competitors, such as Ibstock, Michelmersh and Wienerberger in the bricks sector, H+H and Tarmac in the aircrete blocks sector, CEMEX, Lignacite and Tarmac in the aggregate blocks sector, and a range of specialised competitors, many of which are well established in their markets. Competition among manufacturers is based on many factors, including price, service, quality, range of products and product availability. Competition in certain of the Group's product segments, such as the brick market in the United Kingdom, is also based, in part, on styles and trends, which the Group may not accurately forecast or be able to influence. The Group's competitors may also foresee market developments more accurately than the Group, provide superior service, sell preferable products, improve

the design and performance of their products, possess the ability to manufacture or supply similar products and services at a lower cost and provide other efficiencies, develop a more comprehensive product portfolio, as well as introduce new products with competitive prices and performance characteristics, establish stronger relationships with customers and distributors, adapt more quickly to new technologies or evolving customer requirements, manage customer relationships during product shortages more effectively, build a superior sales and distribution network or obtain access to financing on more favourable terms than the Group may obtain. Failure to develop strategies and products and to maintain the Group's competitive position in the face of such competition could lead to loss of market share and/or compel the Group to reduce the price of its products, which could result in reduced revenues and profit margins.

Additionally, some of the Group's competitors are larger companies and, therefore, have access to greater financial and other resources than the Group. These resources may afford those competitors significant advantages, including greater purchasing power, greater production efficiency, increased financial flexibility and more capital resources for expansion and improvement. At times, domestic manufacturing output may be insufficient to satisfy demand, in which case the Group may also be subject to competition from manufacturers in Europe. The inability of the Group to compete with such other manufacturers could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Actions of the Group's competitors, including restoring mothballed facilities or developing additional manufacturing capacity, competition from imported products or the entry of new competitors into the Group's markets could drive the Group to lower prices in an effort to maintain its customer base and may result in lower revenue. At times, the price for any one or more of the products the Group manufactures may fall below the Group's manufacturing costs, requiring the Group to either incur losses on product sales or cease manufacture of such product at one or more of its manufacturing facilities. Competitive pressures, including industry overcapacity, could also lead to pricing pressures in the Group's markets. For example, competitors may choose to pursue a volume policy in order to maintain utilisation of their factories to the detriment of upholding prices.

In addition, the pricing and production policies of the Group's competitors are unpredictable and could frustrate the Group's efforts and impact profitability. There is a risk that the Group could establish or acquire additional production capacities which cannot be appropriately used, for example, as a result of an inaccurate evaluation of market developments. Furthermore, certain of the Group's products, including clay bricks and concrete blocks for housing applications and concrete products for structural applications, are volume products that are available from other manufacturers or distributors, with price and volume decisions frequently based on participants' perceptions of short-term supply and demand factors, such as the perceived capacity constraint in the brick market that led a number of UK homebuilders to import bricks from continental Europe. Industry data for supply chain and end user stock levels is not available. The supply chain and end users' attitude to stock may change from time to time and may impact short-term demand, which in turn may impact the Group's planned production output in any period. As such, the Group may be unable to sufficiently manage or adjust its production output, balance inventory stock in order to meet market demand or adjust pricing strategies to local market conditions. A shortage of capacity or excess capacity in the industry can result in significant increases or declines in market prices for these products, often within a short period of time. Low market prices for the Group's products over a sustained period could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group cannot compete effectively in its markets, its business, financial condition, results of operations and prospects may be materially adversely affected.

Increased energy and related costs could have a material adverse effect on the Group

The Group uses significant amounts of energy, including natural gas and electricity, in the manufacture of its products and energy costs are a significant component of the Group's costs, accounting for 12.5%, 12.4% and 11.2% of the Group's total costs of sales in 2013, 2014 and 2015, respectively. Natural gas is one of the principal sources of energy the Group uses to fuel its brick manufacturing operations. The Group also uses a substantial amount of electricity at its facilities. Energy prices have been volatile in recent years. The Group has benefited from the relatively low cost of natural gas in 2015, however, such costs savings may not continue. Factors such as international political and military instability, government policy, adverse weather conditions and force majeure events may disrupt energy supplies and increase prices in the future. Although the Group has forward purchased approximately 75% of the natural gas for use in its manufacturing operations during 2016 and may hedge its energy positions in the future, the Group currently has no other such hedges in place and it remains susceptible to energy price increases.

Additionally, because the Group often delivers products to its customers, the Group is further exposed to increased fuel prices as a component of the Group's distribution costs. While the Group generally attempts to pass increased costs, including higher fuel costs, on to its customers, pricing pressure from the Group's competitors, the market power of the Group's customers or the other pricing factors discussed in this Part 1 (*Risk Factors*) of this Prospectus may limit the Group's ability to do so and sustained increases in energy and fuel prices could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Increases in the cost or decreased availability of raw materials could have a material adverse effect on the Group

The Group is reliant on the availability of raw materials at a reasonable cost. Key raw materials for brick products are clay and shale which are predominantly sourced from the Group's own reserves. Aircrete blocks are manufactured using pulverised fuel ash ("PFA"), cement and lime, while the Group's aggregate blocks are manufactured using cement and aggregates, such as sand, gravel, crushed limestone and recycled materials, which are currently sourced from the HeidelbergCement Group and other third party suppliers. Other raw materials used in specific product ranges, primarily within the bespoke products, include expanded polystyrene and galvanised steel wiring, which are used in production of the Group's Jetfloor® and structural external wall insulation, respectively.

Historically, the raw materials the Group uses have been available from a number of sources and in sufficient quantities. However, raw material prices, as well as availability, have been volatile in recent years. A large number of raw material suppliers reduced their production capacity during the economic downturn. This reduced capacity, together with strengthening global demand for certain raw materials, has at times caused, and may in the future cause, tighter supply and significant price increases. Factors such as adverse weather conditions and force majeure events, as well as political and other social instability, have disrupted, and may in the future disrupt, raw material supplies and impact prices of the Group's principal sourced raw materials such as cement, energy and fuel. Additionally, there may be substantial price increases or drastically limited availability in the future for other unexpected reasons. Finally, the Group typically relies on one supplier for each commodity it uses because the Group believes it is more efficient and cost-effective to work with a single supplier. If there is a meaningful decrease in availability from the Group's preferred supplier or with respect to a specific raw material generally, the Group may have difficulty establishing new supply relationships, particularly relationships in the locality of the Group's facilities, or obtaining the raw material on acceptable terms.

PFA, which is used to manufacture the Group's aircrete blocks, is a by-product of the combustion of coal in coal-fired power plants. Due to more stringent environmental regulations and the availability of alternative fuel sources such as biomass, the number of coal-fired power plants in the United Kingdom is declining and is expected to continue to decline over time, which could result in a significant decrease in the availability of PFA and higher prices. The Group previously sourced PFA from Didcot power station, which was located close to the Group's aircrete block facility at Newbury, Drax power station in Yorkshire, Ratcliffe power station in Nottinghamshire and Rugeley power station in Staffordshire. Following the closure of Didcot power station, the Group continued to secure supplies of PFA from Drax power station, Ratcliffe power station and Rugeley power station. It has recently been announced that Rugeley power station will close in the summer of 2016. The coal units at Drax power station and Ratcliffe power station are also expected to close at some stage in the future. If as a result of such closures and any other closures the Group is unable to secure all or any of its PFA requirements from coal-fired power stations in the United Kingdom, the Group would need to seek alternative sources such as conditioned or reclaimed PFA or imported PFA or seek to use substitute materials such as silica sand. Such alternative sources of and substitutes for PFA could be more costly, more difficult to obtain, less efficient and more difficult to integrate into the Group's manufacturing processes. Importing PFA may prove more difficult than the Directors expect and more expensive than the Group's current supplies of PFA. A shortage of PFA and any inefficiency related to alternative sources or substitutes could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Cement is a significant component of the Group's variable costs. The Group has historically purchased a substantial portion of its cement and aggregates from the HeidelbergCement Group and continues to purchase the majority of its cement and aggregates from the HeidelbergCement Group pursuant to the terms of the Heidelberg Cement Supply Agreement and the Heidelberg Aggregates Supply Agreement (as further described in paragraphs 12.14 and 12.13, respectively, of Part 14 (*Additional Information*) of this Prospectus). If the Group is required to purchase larger quantities of cement or aggregates on the open market in the future, if the HeidelbergCement Group increases the price of cement or aggregates above the fair market value or if the HeidelbergCement Group fails or is unwilling to deliver cement or aggregates to the Group for any reason under the terms of the

Heidelberg Cement Supply Agreement and the Heidelberg Aggregates Supply Agreement, including as a result of any dispute between the parties or any breach by either party of such agreements, the Group will be required to source its cement and aggregates from other suppliers on short notice and would be subject to market conditions prevailing at that time, which, if available at all, may be on less favourable terms to those contained in the Heidelberg Cement Supply Agreement and the Heidelberg Aggregates Supply Agreement. Such events may disrupt the Group's production operations, which could have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

Although in many instances the Group has agreements with its suppliers of raw materials, these agreements are generally terminable by either party on short notice. Furthermore, many of the Group's suppliers also offer favourable terms based upon the volume of the Group's total purchases. If market conditions change, suppliers may discontinue offering the Group the same favourable terms. If all or any of the Group's suppliers were unable or unwilling to meet the Group's demand for raw materials on a timely basis or on acceptable commercial terms, the Group would be forced to seek alternative raw materials which may be time consuming or otherwise not commercially feasible. Any delay in obtaining, or failure to obtain, the necessary raw materials or other component parts from suppliers on commercially acceptable terms could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group generally attempts to pass increased costs, including higher raw material prices, on to its customers, but pricing pressure from the Group's competitors, the market power of the Group's customers or the other pricing factors discussed above may limit the Group's ability to pass on such price increases. Any increase in the cost of raw materials or shortages over a sustained period of time could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not have adequate clay reserves for its future needs

The Group excavates approximately 93% of the clay and shale used for the manufacture of its brick products from quarries that it operates on land that it owns or leases under long-term leases in the vicinity of its brick manufacturing facilities. The Directors estimate that the Group has in excess of 49 million tonnes of clay reserves across 12 quarries in the United Kingdom, 10 of which are located within approximately one mile of the Group's manufacturing facilities and potential future development sites, which the Directors estimate is equivalent to over 30 years of brick production based on the Group's existing brick production. In addition, the Directors estimate that the Group has a further 36 million tonnes of clay resources that do not currently have planning permission for extraction, which together with its planned clay reserves provides the Group with in excess of 85 million tonnes of clay resources, which the Directors estimate is equivalent to over 55 years of brick production based on the Group's existing brick production. If the Group's clay resources diminish, if the Directors have overestimated the amount of the Group's clay reserves, if the quality of clay reserves deteriorates or if the Group opens a new brick manufacturing facility without securing adequate or any clay reserves for the manufacturing of its brick products at such facility, the Group may be required to source its clay from other clay suppliers, which may only be available on less favourable terms, including cost, or may not be available at all. Upon securing land with appropriate clay reserves, the Group would be required to obtain planning consents and environmental permits for extraction of clay and the Group may not be able to secure all or any of such consents. The Directors estimate that its quarry situated in close proximity to its Wilnecote facility has only two years of reserves remaining. The Group is currently negotiating the extension of the quarry with the local landowner, which the Directors estimate will provide the Group with a further 10 years of reserves. If the Group is not able to extend the quarry or secure alternative reserves with appropriate permissions in close proximity to the Wilnecote facility, the Group will be required to source its clay from alternative sources. Any of the foregoing difficulties could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Shortages in skilled workers in the construction industry in the United Kingdom may have a material adverse effect on the Group

Since the financial crisis, which saw housing starts drop from 220,278 units in 2007 to 107,218 units in 2009 according to the CPA and saw a number of building firms either reduce output or restructure their operations, the UK construction workforce has decreased from approximately 2.5 million in 2008 to 2.2 million in 2015, with the number of bricklayers and masons working in the United Kingdom falling from approximately 100,000 in 2008 to 70,000 in 2015 according to the Office for National Statistics ("ONS"). The UK Commission for Employment and Skills estimates that in order to replace UK construction workers expected to retire in the next ten years, some 700,000 new recruits are needed. Furthermore, the number of first year trainees in the industry fell by half between 2005 and 2013, to fewer than 20,000. As experienced construction workers in the

United Kingdom retire and the number of new trainees and the availability of skilled construction workers declines, it may not be possible to recruit workers with sufficient skill and it may not be possible to pass on the knowledge of those experienced retiring workers to other less experienced workers.

It is estimated that the proportion of UK construction workers born outside the United Kingdom in 2011 was 11% (as opposed to 5% in 2001), however, with official plans to reduce immigration and the possibility of the United Kingdom voting to leave the European Union (as further described in the paragraph entitled “*The Group’s business may be adversely affected by general economic and global financial market conditions*” in this Part 1 (*Risk Factors*) of this Prospectus), the number of UK construction workers may further decline.

The UK Federation of Master Builders reported in 2015 that 66% of its 8,500 members had refused new business because of a lack of resources, while almost half had been forced to outsource work. The Directors believe that the skilled workforce deficit in the construction industry in the United Kingdom has increased labour costs and therefore the cost of construction, making building new homes more expensive. Such shortages of sufficiently skilled construction workers could lead to fewer new homes being built over the next few years than expected, and therefore a slower growth in housing completions than that forecasted by the CPA, which would result in reduced growth in the Group’s revenue, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Any inability to attract and retain key management and technical personnel could have a material adverse effect on the Group

The Group’s success depends on its ability to attract and retain key management personnel and skilled employees, particularly engineering and technical personnel. In particular, the Group is dependent on the continued employment and performance of the Group’s management team. If any of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced, the Group’s business operations and its ability to implement its growth strategies could be materially disrupted and the manufacturing quality of the Group’s products could suffer.

There is significant competition for qualified management and technical personnel in the United Kingdom and replacing or finding new management team members and skilled employees can be difficult. The reduction in demand for products in the Group’s industry during the economic downturn also caused a portion of skilled workers to leave the Group’s industry permanently, further reducing the available labour pool with the necessary technical capabilities. Failure to attract and retain key management and technical personnel and other employees could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Furthermore, as the UK residential and commercial construction markets improve and demand for the Group’s products increases, the Group may be required to employ and retain a number of additional employees at its manufacturing facilities. If the Group is unable to attract and retain a sufficient number of skilled workers (as further described in the paragraph entitled “*Shortages in skilled workers in the construction industry in the United Kingdom may have a material adverse effect on the Group*” in this Part 1 (*Risk Factors*) of this Prospectus), its manufacturing facilities may not perform to their full capacity and the Group may not be able to implement its growth strategy, which could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

Any inability to successfully implement the Group’s strategy could have a material adverse effect on the Group

As further described in paragraph 4 of Part 6 (*Business of the Group*) of this Prospectus, the Group’s short-term strategy is to increase its production capacity by undertaking what the Directors consider as small and low risk capital investment projects at certain of the Group’s existing manufacturing facilities at Claughton, Desford and Accrington. In the medium to longer term, the Group has the potential to increase its annual brick production capacity by building a new manufacturing facility at its site at Swillington and redeveloping its site at Clockhouse. The Group may also consider making strategic acquisitions at the appropriate time which are complementary to the Group’s product offerings or would allow the Group to leverage its existing relationships or distribution channels, and to continue to focus on its core sustainability values. Through 2015 and early 2016, the Group initiated investment of £7.1 million implementing efficiency initiatives at the Group’s manufacturing facilities at Measham, Hams Hall, Accrington and Hoveringham, as further described in paragraph 9 of Part 6 (*Business of the Group*) of this Prospectus, which is intended to provide the Group with increased brick and

aircrete block production capacity, as well as other cost savings. If any of the Group's expansion, redevelopment or efficiency projects do not perform in line with the Group's expectations, in terms of expected production capacities or efficiency targets, or if any of these projects exceed cost estimates or cannot be completed for any reason, including an inability to obtain necessary planning permissions, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has in the past grown through both acquisition and organic expansion. Due to the limited number of established key players operating in the Group's markets, entry through acquisition may be limited. The Group may not be able to identify suitable businesses or sites for acquisition and, if any such opportunities are undertaken, there is no certainty that the transaction will be consummated on favourable terms. The Group is subject to competition laws which may limit the Group's ability to acquire companies or businesses and its ability to expand and grow in certain markets and/or its ability to continue its ongoing operations in such markets at current levels. In particular, the Group may not be able to implement its strategy of making strategic acquisitions of complementary businesses (as further described in paragraph 4 of Part 6 (*Business of the Group*) of this Prospectus) if such acquisitions are deemed to contravene competition laws and regulations and, as a result, such obligations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, there is no guarantee that organic initiatives will be completed on time, on budget or at all. For example, if the Directors decide to pursue the development opportunities at the Group's sites at Swillington and Clockhouse (as further described in paragraph 4 of Part 6 (*Business of the Group*) of this Prospectus), the Group may not be able to fully implement such projects (if at all) due to a number of issues, including future funding constraints. Any expansion activity may not be completed on time and may not achieve the intended benefits, including estimated production capacity, whether as a result of improper design, changing circumstances or otherwise.

Whilst the Group intends to finance the development of its business with cash from its operations, the Directors may also consider further debt finance, equity offerings or issuing consideration in the form of equity. A significant change in the Group's business or the global or national economy, an unexpected decrease in the Group's cash flows or the requirements imposed by the Group's debt providers may also limit the Group's ability to obtain or raise the capital required to effect any such development, including any acquisition of another business or the development of the Group's existing facilities or new facilities. Furthermore, additional debt or equity financing may not be available on favourable terms or at all, as further described in the paragraphs entitled "*The terms of the Group's debt and any requirement to incur further indebtedness or refinance the Group's indebtedness in the future could have a material adverse effect on the Group*" and "*The Group's ability to raise capital in the future may be limited and any future issuances of Ordinary Shares or other securities may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares*" in this Part 1 (*Risk Factors*) of this Prospectus. Failure to identify suitable acquisition opportunities on appropriate terms or to efficiently and effectively expand or construct facilities could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Directors may not accurately assess the value, strengths, weaknesses, liabilities and potential profitability of acquisition targets or of an expansion or construction project. Also, the Group may not be able to integrate the operations of future acquired businesses within the Group's operations or transition the Group's existing operations into the expanded or new facilities in an efficient and cost-effective manner or without significant disruption to the Group's existing operations. The Group may also encounter difficulties related to integrating personnel and other corporate cultures into the Group's business. The Group may also suffer the loss of key employees, customers or suppliers, difficulties in integrating computer and accounting systems and exposure to unforeseen pre-acquisition liabilities and management attention and resources may need to be diverted from existing operations. The Group may also be required to incur additional debt in order to finance an acquisition, expansion or construction project, which debt may be substantial and may limit the Group's flexibility to use its cash flows from operations for other purposes. The Group's inability to successfully integrate acquired companies or any failure to realise the intended benefits of an acquisition, expansion or construction project, including the synergies, cost savings, or sales or growth opportunities that the Directors expect, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The emergence of new construction techniques and alternative building materials may have an adverse effect on the Group

The development of new construction techniques and materials could affect demand for the Group's products. Demand for the Group's products is subject to competition from a number of alternatives. The Group's bricks compete with other materials that can be used for the cladding of a house or commercial building such as vinyl, fibre cement, wood, render, natural stone and glass. The Group's aircrete and aggregate blocks primarily compete

with wood as the structural element of residential homes. The UK Government has provided, and may continue to provide, incentives to support alternative products which compete with the Group's products and which may correspondingly reduce demand for the Group's products.

Furthermore, new construction techniques and building materials developed in the future may impact demand for the Group's products. As technology, manufacturing processes and construction knowledge develop so do the number of house construction methods available to homebuilders. New construction techniques that aim to offer advantages over traditional methods are growing in popularity, namely due to the finished look, the green credentials, the ease of manually handling the materials, the speed of construction, the reduction of labour, the ability to source materials, and the availability of expertise and contractors. In particular, alternative methods of construction reduce dependence on relatively scarce, specialist workers (as further described in the paragraph entitled "*Shortages in skilled workers in the construction industry in the United Kingdom may have a material adverse effect on the Group*" in this Part 1 (Risk Factors) of this Prospectus), with labour requirements for buildings constructed using timber-frame products being approximately 25% lower than for conventional housing construction. Prefabricated buildings and flat pack housing are the most well-known of such techniques, but other techniques and materials include the precast flat panel system, 3D volumetric construction, tunnel form, the use of flat slabs, hybrid concrete construction, thin joint masonry, insulating concrete formwork and precast foundations. The Directors believe that, although there is no current trend in the UK construction industry to move away from traditional construction methods and materials, particularly as a number of the new techniques and materials are currently more expensive than traditional bricks and blocks, any future increase in the use of such construction techniques and materials, as well as the development of further such techniques and materials, may correspondingly reduce demand for the Group's products.

Any of the foregoing or other factors that reduce demand for the Group's products could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Demand for the Group's Fletton bricks may decline in the future

The Directors expect demand for the Fletton brick, of which the Group is the sole manufacturer, to decline further in the long-term. In 2015, Fletton brick volumes accounted for approximately 25% of the Group's total brick volumes. This type of brick is rarely used for residential new build or commercial construction due to its relatively high cost of production. The brick is therefore used primarily for RMI work in properties originally built with Fletton bricks and to construct matching additions and extensions for such buildings. The number of Fletton-clad buildings that may require repairing, remodelling or extending is expected to diminish over time and, as a result, the Group's revenue stream from the sale of its Fletton bricks will also diminish. In addition, the Group's position as the sole manufacturer of the Fletton brick has been challenged in the past, and may be challenged again in the future, by other manufacturers attempting to replicate the look of this product once built into a wall. Any challenge to the Fletton brick in the future or a reduction in RMI construction activities in Fletton-clad buildings could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A material disruption at one or more of the Group's manufacturing facilities or quarries or in the Group's supply chain could have a material adverse effect on the Group

The Group owns and operates facilities of various ages and levels of automated control and relies on a number of third parties as part of the Group's supply chain. Any disruption at the Group's manufacturing facilities or in the Group's supply chain could prevent the Group from meeting demand or require the Group to incur unplanned capital expenditure. Older facilities are generally less energy efficient, employ more manual manufacturing processes and are at an increased risk of breakdown or equipment failure, resulting in unplanned downtime. The equipment required to manufacture certain of the Group's products is specialised and if any of the equipment was to fail, the time required for replacement of such equipment could be lengthy, which could result in extended downtime in the affected facility. For example, the Measham facility is fully automated and includes specialist machinery, whilst the Kings Dyke facility includes specialist machinery for the manufacture of the Group's Fletton bricks, which is maintained at the Group's workshops and is no longer available to buy on the open market. If any part of the machinery at the Group's manufacturing facilities was to fail, not only would the cost of repairing or replacing such machinery (or part thereof) be costly but it could also take months to complete. Moreover, any of the Group's manufacturing facilities could cease operations unexpectedly because of events unrelated to the Group, including fires and other industrial accidents, floods, natural disasters, environmental incidents or other catastrophes, utility and transportation infrastructure disruptions, shortages of raw materials, prolonged maintenance activity and acts of war or terrorism or other unexpected events, or events over which the Group has a degree of control, such as industrial action, including strikes and the withdrawal of permits or licences.

The Group's suppliers and other components in the Group's supply chain are also subject to similar disruption risks and, while the Group maintains a significant fleet of delivery vehicles, the reduced capacity in third party haulage resulting from the recent economic downturn could limit the Group's ability to deliver products to the Group's customers as demand increases. Union-organised work stoppages have occurred at some of the Group's manufacturing facilities in the past and any future disruption, union related or otherwise, and whether at one of the manufacturing facilities, those of the Group's suppliers or more generally in the Group's supply chain, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Fluctuations in the price of the Group's products or the Group's ability to maintain its profit margins could have a material adverse effect on the Group

The price of the Group's products are subject to fluctuations in response to changes in supply and demand. Furthermore, as many of the Group's products are standardised, high volume manufactured products that are widely available in similar forms to those of the Group's competitors, the Group may be required to decrease its prices in order to effectively compete with its competitors. Actions of the Group's competitors, including restoring dormant facilities or developing additional manufacturing capacity, competition from imported products or the entry of new competitors into the Group's markets, could lead the Group to lower prices in an effort to maintain the Group's customer base and market share and may result in lower revenue. There can be no assurance that prices for the Group's products will not decline in the future and any such declines would result in reducing the Group's profit margins and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, before the economic downturn, there was significant consolidation in the housebuilding industries in the United Kingdom, with many smaller housebuilders ceasing to build or being acquired by larger housebuilders who increased their market share. This consolidation continued to a lesser degree in the wake of the economic downturn as well. Any future consolidation in the United Kingdom housebuilding industries could strengthen the market and pricing power of the large housebuilders, which could cause the Group to experience pricing pressure on sales of its products.

Changes in global, national, regional or local economic conditions, fluctuations in the cost of raw materials, energy, labour, freight, as well as other production costs, will affect the cost of production of the Group's products as further described in this Part 1 (*Risk Factors*) of this Prospectus. In the event of any such increase in production costs, the Group may not be able to increase the price of its goods in order to retain its profit margin, particularly if the Group's competitors maintain their pricing. A significant portion of the Group's costs of sales are fixed costs, which do not, in the short-term, fluctuate with the Group's annual production output. For this reason and because of the price fluctuations described above, at times, the price for any one or more of the Group's products may fall below the Group's production costs, requiring it to either sell product at a loss or to take cost-cutting measures, including reducing headcount and product and capacity rationalisation. This occurred, for example, during the economic downturn, a period during which the Group reduced production capacity significantly. However, cost-cutting measures such as starting and stopping production are inefficient and can lead to other cost inefficiencies. Any inability to efficiently and effectively react to price fluctuations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's dependence on key customers with whom it does not have long-term contracts could have a material adverse effect

The Group's business is dependent on certain key customers. The Group's largest two customers together accounted for 29.2% of the revenue generated by the Group in 2015. The Group does not have any long-term contracts that commit customers to purchase the Group's products. As a result, the Group's customers could choose to cease purchasing the Group's products, reduce their purchase levels or request reduced pricing structures at any time. The Group's manufacturing, pricing and marketing strategies must therefore respond to the demands of these major customers, who may seek lower prices or other concessions in return for their continued or increased business. In addition, further consolidation among builders and construction merchants would give the Group's customers increased purchasing power and would likely result in demands for "best available terms" in customer contracts. If this occurs, the Group may not be able to successfully maintain its pricing structure or negotiating position with national merchants. A loss of one or more significant customers or a meaningful reduction in their purchases could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Seasonality and unexpected or prolonged periods of severe weather could have a material adverse effect on the Group

Sales of the Group's products are seasonal in that sales are generally somewhat higher from spring to autumn when construction activity is at its highest. Construction activity declines during the winter months due to inclement weather and shorter daylight hours. Construction activity can also be affected in any seasonal period by adverse weather conditions, natural disasters and similar events. Unexpected or prolonged periods of severe weather can have a profound effect on construction projects which could reduce demand for the Group's products or push back orders already received to later dates. Any significant or prolonged adverse weather conditions could negatively affect the Group's primary markets during periods when it expects trading to be strong, slow the growth of new construction activity generally and reduce demand for the Group's products. For example, the Group normally expects construction activity, and therefore demand for its products, to slow during the winter months. An extension of that period of lower activity could have a significant impact on the number and progress of construction projects and the anticipated demand for the Group's products, which could affect the Group's production cycle, its order, inventory and distribution management, and its cash flows.

In addition, to a certain extent, the Group's ability to deliver its products to its customers, either at distribution centres or on building sites, can be significantly impeded by severe weather, leaving both equipment and personnel underutilised and customers waiting longer than expected for their orders, which not only results in additional costs for the Group but can have a material adverse effect on the Group's relationships with its customers and on the Group's business, financial condition, results of operations and prospects.

Furthermore, severe weather conditions can also drive up energy prices and related costs, which could have a material adverse effect on the Group, as further described in the paragraph entitled "*Increased energy and related costs could have a material adverse effect on the Group*" in this Part 1 (*Risk Factors*) of this Prospectus.

Disruption to road transport systems or the availability and cost of haulage or fuel could have a material adverse effect on the Group

The Group's products are delivered by road in the United Kingdom. The Group delivers approximately 60% of its bricks, aircrete blocks and aggregate blocks to customers through its own fleet of 125 modern delivery vehicles, with the remainder being delivered by third party hauliers. The Group's other products are all transported by third party hauliers. Prolonged disruption to road transport systems or to the availability of vehicle fuel may hinder the Group's ability to meet delivery schedules, which could create backlogs that could take time and additional resources to clear. During the economic downturn, the Group encountered difficulties securing the services of third party haulage providers due to fleet reduction and the Group may face similar challenges in the future, in particular if the Group's own fleet of delivery vehicles is not sufficiently maintained or does not grow at the same rate as the Group's order book. If the Group encounters any disruption to or failure in its fleet of delivery vehicles or fleet scheduling system or it is unable to secure the services of reliable third party hauliers on appropriate terms, the Group may not be able to deliver its products to its customers within appropriate timeframes, if at all, which could potentially result in a loss of customers and/or the incurrence of additional costs on replacement delivery services, including those of third party hauliers. These factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's restoration obligations in respect of quarries could have a material adverse effect on the Group

The Group owns and operates quarries from which it excavates clay for the manufacture of its bricks. With these operations, certain restoration obligations arise under UK laws and regulations, which may lead to cash outflows upon complete or partial closure of a quarry. As at 31 December 2015, a provision of £5.6 million was held for restoration of the Group's quarries and a further provision of £6.0 million for the associated teardown of facilities. Although the Directors are aware of the Group's restoration obligations upon opening a quarry, the estimated provisions resulting from the Group's restoration obligations may change, for example, if more stringent requirements are imposed under UK law or regulation. In addition, provisions could increase if the assumptions underlying the Group's estimates are inaccurate or the underlying facts or legal requirements change. Any such results could increase the Group's restoration obligations and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to environmental laws and regulations and any failure to comply with current or future laws and regulations could have a material adverse effect on the Group

The Group is subject to a broad range of increasingly stringent laws and regulations governing the protection of the environment, including those governing air emissions, wastewater discharges, and the use, storage, discharge, handling, disposal, transport and clean-up of hazardous materials and wastes. The Group is also required to

obtain permits from governmental authorities for certain operations (as further described in paragraph 13 of Part 6 (*Business of the Group*) of this Prospectus), and if the Group expands or modifies its manufacturing facilities or if environmental laws change, the Group could be required to obtain new or modified permits. If the Group fails to comply with these laws, regulations or permits, it could incur fines, penalties or other sanctions. In addition, the Group could be held responsible for costs and damages arising from claims or liabilities under these laws and regulations, including with respect to any exposure to hazardous materials or contamination at the Group's manufacturing facilities or at third party waste disposal sites. These laws and regulations may also require the Group to investigate and, in certain instances, remediate contamination. Costs related to compliance by the Group with environmental laws concerning, and potential obligations with respect to, contaminated sites may have a material adverse impact on the Group's operating results. These include obligations related to sites currently or formerly owned or operated by the Group, in the event the Group has caused or knowingly permitted any contamination there, or where the Group disposed of waste from its operations. The Group must also comply with stringent waste management regulations, particularly in relation to hazardous waste. Failure to comply with waste regulation could potentially result in regulatory action, fines and additional capital and/or operational costs. In addition, claims or corrective action to abate nuisance caused by the Group's operations may result in increased capital expenditure and liabilities.

The nature of the Group's operations means that it faces a risk of contaminating land with hazardous waste resulting from its manufacturing processes and causing nuisance in certain circumstances. Additionally, many of its sites are located on previous brownfield sites or have had neighbours that undertook operations which could cause contamination on its sites. Some of the Group's sites have a history of industrial use and, while the Group applies strict environmental operating standards and undertakes extensive environmental due diligence in relation to the Group's manufacturing facilities and acquisitions, some soil and groundwater contamination has occurred in the past at a limited number of sites, and the Group has been required to incur remediation costs in connection with such contamination, as it may do in the future. Violations of environmental laws can also lead to reputational harm. Any future costs or reputational damage that the Group may incur or suffer in respect of environmental laws, regulations or permits could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Environmental laws and regulations, including those related to energy use, climate change and other pollutants to air, land and water, have become more stringent over time, and the Group could incur material additional expenses relating to compliance with future environmental laws and regulations. For instance, the Group is required to purchase carbon dioxide allowances under the EUETS in order to discharge carbon dioxide into the atmosphere. As the Group's production capacity increases or if the Group opens new manufacturing facilities, it may be required to increase its carbon dioxide allowances at its manufacturing facilities (or trade for additional allowances under the EUETS on the open market) and/or obtain new allowances for new sites. The market price of these allowances is subject to volatility and could increase substantially in the future. If the price of carbon allowances increases due to a change in laws or regulations, the availability of carbon allowances on the open market will also be limited, which may hinder the Group's planned increases in production capacity and may also increase the Group's costs of sales. A number of the Group's suppliers are also regulated by stringent environmental laws and regulations, including those relating to carbon dioxide emissions. Any change in such laws or regulations may increase the price paid by the Group for its raw materials, which would have a direct effect on the Group's margins. In addition, future environmental laws and regulations may cause the Group to modify how it manufactures and prices its products or require that it make significant capital investments to comply. For example, the Group's manufacturing processes use a significant amount of energy and increased regulation of energy use to address the possible emission of greenhouse gases could materially increase the Group's manufacturing costs. The European Union's Ceramics Best Available Techniques reference document is due for review in 2017 which may reduce the current emission limits for certain pollutants. Any amendment to this reference document or any other new or increased legislation may require the Group to install emissions control or other equipment at some or all of its manufacturing facilities. Any increased costs related to future environmental laws and regulations, which the Group is unable to recover from its customers, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to health and safety laws and any failure to comply with such current or future laws could have a material adverse effect on the Group

Manufacturing sites are inherently dangerous workplaces. The Group's manufacturing facilities often place its employees and others in close proximity with large pieces of mechanised equipment, moving vehicles, manufacturing processes, regulated materials and other hazardous conditions. As a result, the Group is subject to a variety of health and safety laws and regulations dealing with occupational health and safety. The Group has a

team of 21 operations managers responsible for occupational health and safety, who support the operational employees in all aspects of health and safety management and leadership. However, there can be no assurances that these measures will be successful in preventing accidents and injuries or violations of health and safety laws and regulations, some of which may be beyond the Group's control. Unsafe work sites also have the potential to increase employee turnover and raise the Group's operating costs. In 2015, 88 of the Group's employees were injured at work, with 11 of those injuries resulting in lost working time. Additionally, the Group's safety record can impact the Group's reputation. Any failure to maintain safe work sites could expose the Group to significant financial losses as well as civil and criminal liabilities, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's rebranding efforts could have a material adverse effect on the Group

Prior to the Lone Star Acquisition, the Group operated as a wholly owned business of the HeidelbergCement Group and marketed the Group's products primarily using the "Hanson" brand name and logo. Following completion of the Lone Star Acquisition, each member of the Group and the Forterra NA Group was required to discontinue their use of "Hanson" and related names. On 5 October 2015, the Group announced that it was rebranding the Group's business under the "Forterra" name and began using the "Forterra" name and logo, which represented a change from the underlying brand under which the Group previously conducted business and sold many of its products.

The rebranding may impact the Group's future operating results. The Group may lose customers if they do not respond favourably to the new brand or fail to recognise the new brand as a continuation of the Group's prior business. This is particularly the case in respect of the Group's customers who acquire the Group's products at builders' merchants and have no direct relationship with the Group. The Directors believe that the Group's association with the "Hanson" name and with the HeidelbergCement Group at times provided it with preferred status among the Group's customers, suppliers, other contracting parties and other persons due to its recognised brand, perceived high quality products and services and strong capital base and financial strength. The Group may therefore lose potential new customers who choose not to explore the Group's product offerings since the Group is no longer branded with the more familiar "Hanson" name. The rebranding may also affect the Group's ability to recruit qualified personnel.

The Group also shares the "Forterra" brand with the Forterra NA Group, a group which is currently wholly owned by Lone Star and which operates in the United States and Canada. The Group has no control over the Forterra NA Group's use of the "Forterra" name and any actions or negative publicity related to that group and/or its products could also impact the Group.

Any unforeseen costs, lack of success or loss of current or potential new customers related to the Group's rebranding or any negative actions or publicity by any member of the Forterra NA Group in connection with the "Forterra" brand could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A failure to manage the Group's inventory and delays in construction projects could have a material adverse effect on the Group

The Group maintains an inventory of products and seeks to forecast demand by product so that the levels of inventory by product are appropriate. However, the Group's forecasts are not always accurate and unexpected changes in demand for products whether because of a change in preferences or otherwise, can lead to increased levels of inventory. Due to the relatively short-term nature of the Group's order book with its customers, it is difficult to forecast demand and, hence, production. If the Group over-forecasts demand for its new or existing products, this could result in excess inventory and materially and adversely affect the Group's results of operations. Conversely, if the Group under-forecasts demand or otherwise does not have sufficient stock available, it may not be able to meet customer requirements in the required timeframe and could lose customer sales to a competitor.

Additionally, some of the Group's products, particularly those comprising its bespoke products operating segment, are designed for a specific customer or use and are used in projects which may require a significant amount of planning and preparation before construction commences, and it is not unusual for construction projects of this nature to be delayed and rescheduled. Projects can be delayed and rescheduled for a number of reasons, including unanticipated soil conditions or adverse weather, changes in project priorities, financing issues, difficulties in complying with environmental and other government regulations or permits and the lead time required to acquire rights-of-way or other property rights. Delays in construction projects may occur with

insufficient notice to allow the Group to replace those projects in the Group's manufacturing schedules or to adjust the Group's production capacities accordingly, which can lead to cost inefficiencies at the Group's manufacturing facilities and additional levels of obsolete inventory. Any inability to manage the Group's inventory or delays in construction projects and in customers' orders could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Credit and non-payment risks related to the Group's customers, especially during times of economic uncertainty and tight credit markets, could have a material adverse effect on the Group

As is customary in the Group's industry, the majority of the Group's sales are to customers on an open credit basis, with standard payment terms of 28 days following a month-end. The Group generally monitors the ability of its customers to pay these open credit arrangements and limits the credit it extends to what it believes to be reasonable based on an evaluation of each customer's financial condition and payment history. While the Group maintains an allowance for doubtful receivables for potential credit losses the Directors believe to be reasonable based upon the Group's historical trends and other available information, there is a risk that the Group's estimates may not be accurate, particularly in times of economic uncertainty and tight credit markets. Furthermore, the Group supplies its bespoke products to subcontractors who generally are creditworthy and have a good payment history, but do not make payment for such products until they have been paid by the building contractor and therefore such payment is often delayed or may be unforthcoming. Any inability to collect customer receivables or inadequate provisioning for bad receivables could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Warranty and related claims could have a material adverse effect on the Group

The Group's position as the UK leader in manufactured masonry products is dependent on the continued performance of its installed products in the marketplace and it sometimes provides warranties on its products against defects in materials. Some of the Group's products are used in applications where a product failure or construction defect could result in significant project delay, property damage, personal injury or death or could require significant remediation expenses. The Group's quality control procedures or those of its component suppliers may fail to test for all possible conditions of use of, or to identify all defects in the design, engineering or specifications of, the Group's products. The Group's products are often incorporated into the fabric of a building or dwelling, or buried in the ground as part of an infrastructure system. In each case, it is difficult to access, repair, recall or replace such products. Additionally, because the Group's products, including discontinued products, are long lasting, claims can arise many years after their manufacturing and sale. Product failures may also arise due to the quality of the raw materials the Group purchases from third party suppliers or the quality of the work performed by the contractors installing the Group's products, over which it has little to no control, but yet may still be held responsible. The supply of defective or inferior products that cause product failure during use for any reason could cause damage to properties or homes giving rise to potentially extensive claims for damage, as well as negatively impacting the Group's reputation and the perception of its product quality and reliability in its principal markets. While the Group has established reserves for warranty claims that the Directors believe to be adequate, such claims may exceed these reserves and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Legal and regulatory claims and proceedings could have a material adverse effect on the Group

The Group is subject to claims, litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future, some of which could be material. For example, the Group has been, and may in the future be, subject to claims for product liability, construction defects, project delay, personal injury and property and other damages. Claims and proceedings, whether or not they have merit and regardless of the outcome, are typically expensive and can divert the attention of management and other personnel for significant periods of time. Additionally, claims and proceedings can impact customer confidence and the general public's perception of the Group and its products, even if the underlying assertions are proven to be false. While the Group has established provisions that the Directors believe to be adequate, the outcomes of litigation and similar disputes are often difficult to reliably predict and may result in decisions or settlements that are contrary to or in excess of the Group's expectations and losses may exceed the Group's provisions. In addition, various factors and developments could lead the Group to make changes in current estimates of liabilities and related insurance receivables or make new or modified estimates as a result of a judicial ruling or judgement, a settlement, regulatory developments or changes in applicable law. Any claims or proceedings in which the Group is unsuccessful or for which it did not establish adequate provisions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Insufficient insurance coverage could have a material adverse effect on the Group

The Group maintains property, business interruption, counterparty and liability insurance coverage that the Directors believe is consistent with industry practice. However, the Group's insurance programme may not cover every potential risk associated with the Group's business and it may therefore experience accidents or other events that are not covered in full or at all by insurance. In addition, market conditions or any significant claim or a number of claims made by or against the Group could cause the Group's premiums and deductibles to increase substantially and, in some instances, the Group's coverage may be reduced or become unavailable in its entirety. In the future, the Group may not be able to obtain meaningful coverage at reasonable rates for a variety of risks, including certain types of environmental hazards and ongoing regulatory compliance. If the Group's insurance coverage is insufficient, or if it is not able to obtain sufficient coverage in the future, any resulting costs or liabilities could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Collective bargaining agreements, industrial action and other employment matters could have a material adverse effect on the Group

As at 31 December 2015, approximately 41% of the Group's employees, located across seven of the Group's brick manufacturing facilities, were covered by national collective bargaining agreements which are currently in place with GMB and Unite and are in effect until terminated on six months' notice. Employees at three of the Group's facilities, accounting for approximately 15% of the Group's employees as at 31 December 2015, have local collective bargaining agreements in place which relate to any negotiations at the individual facility. Employees at the remaining eight facilities have no such agreements in place. The collective agreements provide for a broad range of protections for employees of the Group, including enhanced severance packages. Union-organised work stoppages have occurred at some of the Group's manufacturing facilities in the past and, although minor, such stoppages (whether minor or otherwise) may occur again in the future. The Directors believe that any inability to negotiate acceptable new collective bargaining arrangements could cause future strikes or other work stoppages and any new agreements could result in increased operating costs, affect the Group's production output, hinder the Group's ability to fulfil customer orders and limit the Group's flexibility in dealing with relevant operational matters. The Group may also experience cost increases or disruptions at the Group's non-unionised manufacturing facilities. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Delays or outages in the Group's information technology systems and computer networks could have a material adverse effect on the Group

Prior to the Lone Star Acquisition, the Group had been dependent on the HeidelbergCement Group for a number of corporate and shared services related to corporate functions, including its information technology systems and services. Following the Lone Star Acquisition, the HeidelbergCement Group continued to provide the Group with certain of its information technology systems and services under the terms of the Heidelberg TSA (as further described in paragraph 12.12 of Part 14 (*Additional Information*) of this Prospectus). The majority of the Group's information technology systems that were previously provided pursuant to the terms of the Heidelberg TSA are now provided by a third party service provider. Such systems and services, however, may not be comparable to those provided under the Heidelberg TSA, may be insufficient for the Group's needs and may create new issues that the Group does not currently face. In particular, any issue or failure in the new systems or services may prevent the Group from processing customer orders and/or delivering its products to its customers. Any of these events could materially affect the Group's business, financial condition, results of operations and prospects.

The operation of the Group's manufacturing facilities as well as the Group's sales and service activities depend on the efficient and uninterrupted operation of complex and sophisticated computer, telecommunication and data processing systems. The Group may be subject to information technology system failures and network disruptions. These may be caused by delays or disruptions due to system updates, natural disasters, malicious attacks, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or similar events or disruptions. An interruption in the operations of computer or data processing systems could adversely affect the Group's ability to efficiently maintain its production processes and to ensure adequate controls. Disruptions to or interruptions in operations could lead to production downtime which, in turn, could result in lost revenue. Any one or more of these risks, if they were to materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may in the future replace and integrate any outdated systems, but these updates may not be successful, they may create new issues that the Group does not currently face or they may significantly exceed the Group's cost estimates. In addition, the Group could be subject to reputational harm or liability if confidential customer information is misappropriated from the Group's information technology systems. Despite the Group's security measures and business continuity plans, the Group's systems could be vulnerable to disruption, and any such disruption and the resulting fall-out could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any inability to protect the Group's intellectual property or claims that the Group infringes the intellectual property rights of others could have a material adverse effect on the Group

The Group relies on a combination of patents, trademarks, trade names, product certificates, confidentiality and non-disclosure clauses and agreements to define and protect the Group's rights to the Group's brand and the intellectual property elements in certain of the Group's products. The Group also relies on product, industry, manufacturing and market "know-how" that cannot be registered and may not be subject to any confidentiality and non-disclosure clauses or agreements. The Group cannot guarantee that any of its know-how or registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect what the Directors consider to be the intellectual property underlying the Group's products, or that the Group's registered or unregistered rights will not subsequently be successfully opposed or otherwise challenged. To the extent that the Group's innovations and products are not protected by relevant intellectual property rights, third parties, including competitors, may be able to commercialise the Group's innovations or products or use the Group's know-how. Additionally, the Group has, in the past, faced and may, in the future, face claims that it is infringing the intellectual property rights of others. If any of the Group's products are found to infringe the patents or other intellectual property rights of others, the Group's manufacture and sale of such products could be significantly restricted or prohibited and it may be required to pay substantial damages. Any inability to protect the Group's intellectual property rights and any misappropriation of the intellectual property of others could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The terms of the Group's debt and any requirement to incur further indebtedness or refinance the Group's indebtedness in the future could have a material adverse effect on the Group

The Group's debt levels, debt service obligations and compliance with the related covenants under the New Facilities Agreement, which are summarised in paragraph 13.3 of Part 14 (*Additional Information*) of this Prospectus, could have important consequences for the Group following Admission, including the following:

- the Group's financial and operational flexibility in planning for, or responding to, changes in its business and industry could be limited;
- a substantial portion of the cash flow from the Group's operations may be required to meet payments of interest on its indebtedness, thereby reducing the funds available for other purposes, such as funding capital expenditures and other corporate purposes and to generally grow the Group's business, as well as the ability of the Group to make distributions to Shareholders;
- the Group's ability to obtain additional financing in the longer term, including its ability to refinance its bank borrowings on comparable terms, or at all, could be limited;
- in the event of a downturn in revenue, the Group's leverage and interest payment obligations could have a disproportionately negative effect on its profitability;
- the Group's ability to implement its strategy, as further described in paragraph 4 of Part 6 (*Business of the Group*) of this Prospectus, which includes investments in the Group's manufacturing facilities to increase efficiency, other organic growth initiatives and strategic acquisitions, could be limited; and
- following completion of the Reorganisation, all of the Group's indebtedness will bear interest at variable rates and an increase in interest rates will therefore have a negative effect on the Group's profitability and cash flow.

Any of the foregoing, alone or in combination, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A breach of, or the inability to comply with, the financial and other covenants in the New Facilities Agreement could result in an event of default, in which case the lenders will have the right to declare all borrowings to be immediately due and payable. The restrictions imposed by the terms of the New Facilities Agreement and any

breach of the covenants or failure to comply with the terms of the New Facilities Agreement could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

If the Group incurs additional indebtedness in connection with the implementation of its strategy, namely, the investment in its manufacturing facilities, its organic growth initiatives and future strategic acquisitions, the related risks that it currently faces could intensify. The terms of such additional indebtedness may contain covenants restricting the Group's financial and operational flexibility to an equal or greater extent as those imposed by the New Facilities Agreement, including on the operation of the Group's business and the payment of dividends and other distributions to Shareholders. Additional indebtedness may also include cross-default provisions such that, if the Group breaches a covenant with respect to any of its indebtedness, or an event of default occurs, the Group's lenders may be entitled to accelerate all amounts owing in respect of that indebtedness and in respect of all of the Group's other indebtedness. The terms of any additional indebtedness and any failure to comply therewith could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In the future, the Group may need to refinance its indebtedness. However, additional financing may not be available on favourable commercial terms to the Group or at all. If, at such time, market conditions are materially different or the Group's credit profile has deteriorated, the cost of refinancing such debt may be significantly higher than the Group's indebtedness existing at that time. Furthermore, the Group may not be able to procure refinancing at all. Any failure to meet any future debt service obligations through use of cash flow, refinancing or otherwise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Risks relating to the Offer and the Ordinary Shares

The Offer Price may not be indicative of prices that will prevail in the trading market after Admission and the Ordinary Share price could decline substantially

Prospective investors should be aware that, following Admission, the value of an investment in the Ordinary Shares may decrease. Any decrease in the Ordinary Share price may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid and Shareholders may lose some or all of their investment. A number of factors, some of which are outside of the Group's control, may impact the price and performance of the Ordinary Shares, including:

- differences between the Group's expected and actual operating performance as well as that of the Group's competitors;
- differences between the expected and actual performance of the market in which the Group operates, including the residential new build and RMI and commercial construction industries;
- strategic actions by the Group or its competitors, such as investments, mergers, acquisitions, disposals and restructurings;
- additions or departures of key members of the Group's management team;
- prevailing economic and global financial market conditions and conditions or trends in the market generally;
- whether an active trading market for the Ordinary Shares develops or is sustained;
- market and Ordinary Share price and volume volatility;
- actions by Shareholders, including the sale by the Selling Shareholder of any of its Ordinary Shares; and
- any regulatory changes.

Furthermore, the market price of an Ordinary Share may also be negatively affected by activities of securities or industry analysts. The market price of an Ordinary Share could be negatively affected if analysts do not publish research or reports about the Group's business, publish inaccurate or unfavourable research about the Group's business or change their recommendations regarding the Ordinary Shares adversely. The Ordinary Share price may also decline if the Group fails to meet analysts' forecasts.

An active or liquid market for the Ordinary Shares may fail to develop

Prior to Admission, there has been no public market for the Ordinary Shares. The Offer and Admission should not be taken as implying or otherwise guaranteeing that an active or liquid trading market will develop, or if

developed, will be sustained. Additionally, the Offer is being made to institutional and professional investors only and the Company may not develop a wide shareholder base, further compounding these risks. If an active trading market is not developed and maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected.

The Ordinary Share price and trading volume may be highly volatile

Whether or not an active trading market develops or is sustained, the market price of an Ordinary Share and the trading volume thereof could be subject to significant fluctuations following the Offer. Such risks depend on the market's perception of or reaction to various facts and events, including, but not limited to, variations in the Group's operating results and/or prospects, developments regarding the Group or its competitors, market appraisal of the Group's strategy and regulatory changes. Stock markets have from time to time, and particularly in recent years, also experienced significant price and volume fluctuations that have affected the market prices of securities and which may be unrelated to a company's operating performance or prospects. Prospective investors should be aware that, following Admission, any such volatility could cause the value of an investment in the Ordinary Shares to decrease abruptly.

Lone Star, through the Selling Shareholder, will retain a significant interest in the Company following Admission and its interests may differ from, or conflict with, those of the other Shareholders

Immediately following Admission, Lone Star, through the Selling Shareholder, will be beneficially interested in approximately 65.0% of the Group's issued share capital (assuming no exercise of the Over-allotment Option) and 59.8% if the Over-allotment Option is exercised in full. While the Selling Shareholder remains a significant shareholder of the Company it will continue to have the ability, through the votes attaching to its Ordinary Shares, to affect or influence the Group's legal and capital structure, matters requiring shareholder approval, including corporate transactions, as well as to elect and change the Company's directors and the Group's management and to approve other changes to its operations. Furthermore, the interests of the Selling Shareholder may not necessarily be aligned with those of other Shareholders. The Company has entered into a Relationship Agreement which will regulate (in part) the degree of control the Selling Shareholder may exercise over the management of the Group. Under the terms of the Relationship Agreement, the Selling Shareholder is entitled to appoint up to two members to the Board but has no further rights in relation to the control it may exercise over the management of the Group. Further details of the Relationship Agreement are set out in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus. After Admission, if the Selling Shareholder holds more than 50% of the voting rights in the Company, the Selling Shareholder will be able to increase its aggregate holding in the Company without triggering the requirement to make a cash offer for the outstanding shares in the Company.

This concentration of ownership may also have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control. Lone Star's ownership may therefore prevent Shareholders from receiving a premium for their Ordinary Shares or more generally could have an adverse effect on the trading price of the Ordinary Shares

Lone Star is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with the Group. For example, although the Group does not compete in the same markets as the Forterra NA Group, Lone Star indirectly controls the Forterra NA Group. Lone Star may also pursue acquisition opportunities on behalf of itself or its affiliates that may be complementary to the Group's business, and as a result, those acquisition opportunities may not be available to the Group.

Any of the factors discussed above could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Substantial sales of Ordinary Shares or the perception that such sales might occur, by Lone Star or other Shareholders, could depress the market price of the Ordinary Shares

Following Admission, except as a result of the exercise of the Over-allotment Option or pursuant to certain other customary exceptions, the Selling Shareholder and the Directors have agreed that during the period of 180 days in respect of the Selling Shareholder, and 365 days in respect of the Directors, in each case from the date of Admission they will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein in respect thereof) or enter into any

transaction with the same economic effect as any of the foregoing. The Directors are unable to predict whether, following the termination of these lock-up restrictions, any of these persons will sell some of, a substantial amount of, or all of, their respective Ordinary Shares in the open market or in one or more private transactions. Any sale of substantial amounts of Ordinary Shares in the public market or otherwise by any such person, or the perception that any such sale may occur, could cause the market price of the Ordinary Shares to decrease. This uncertainty may make it more difficult for Shareholders to sell Ordinary Shares at a time and price that they deem appropriate, and could also impede the Group's ability to issue equity securities in the future.

The Group's ability to raise capital in the future may be limited and any future issuances of Ordinary Shares or other securities may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares

Following Admission, the Company has agreed to refrain from issuing any new Ordinary Shares for a period of 180 days from the date of Admission. However, upon the expiry of the lock-up restrictions, the Group may need to raise additional funds through the issuance of new equity securities, debt or a combination of both.

Additional financing may not be available on favourable terms to the Group, or at all. If the Company issues new debt securities, the debt holders would have rights senior to those of Shareholders to make claims on the Group's assets, and the terms of any debt could restrict the Group's operations, including the Group's ability to pay dividends on the Ordinary Shares. If the Company issues additional equity securities, existing Shareholders will experience dilution, and the new equity securities could have rights senior to those of the Ordinary Shares. Shareholders will also experience dilution as a result of the equity the Company issues to management and employees under the Group's employee share plans (as further described in paragraph 7 of Part 14 (*Additional Information*) of this Prospectus).

The Company has no current plans for an offering of new Ordinary Shares. Any decision by the Company to issue securities in any future offering will depend on market conditions and other factors beyond the Company's control, and it cannot predict or estimate the amount, timing or nature of any future offerings and whether any such offering would dilute the holdings of existing Shareholders. Shareholders therefore bear the risk of the Group's future securities offerings adversely affecting the market price of the Ordinary Shares and diluting their interest.

There is no guarantee that the Company will pay dividends in the future

Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. As a holding company, the Company's ability to pay dividends (including any special dividends) in the future is affected by a number of factors, principally the generation of distributable profits by the Group's operating subsidiaries. The payment to the Company by the Group's subsidiaries is in turn subject to restrictions, including certain regulatory requirements, the existence of sufficient distributable reserves and cash in the Group's subsidiaries and other restrictions, including, but not limited to, applicable tax laws and covenants in the New Facilities Agreement. Any change in the tax treatment of dividends or interest received by any member of the Group, or any other inability on the part of the Group's subsidiaries to make payments to the Company, may reduce the amounts available for dividends to the Company and, ultimately, to Shareholders. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any dividend growth in the Ordinary Shares will depend on underlying growth in the Group's business and, in particular, the dividend policy mentioned in paragraph 18 of Part 6 (*Business of the Group*) of this Prospectus should not be construed as a dividend forecast.

The Group will incur increased costs as a result of Admission

Following Admission, the Group will incur significant legal, accounting and other expenses not presently incurred. For example, regulations will require the Group to adopt corporate governance and other disclosure practices applicable to publicly traded companies. These rules and regulations will increase the Group's legal and financial compliance costs and may place a strain on the Group's systems and resources. To meet these requirements, the Group will need to commit significant resources, hire additional staff and provide additional management oversight. The Group will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to publicly traded companies. These costs may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Changes in taxation legislation or the interpretation of tax legislation could affect the Group's ability to provide returns to Shareholders

Any change in taxation legislation or the interpretation of taxation legislation could affect the Group's ability to provide returns to Shareholders. Statements in this Prospectus concerning the taxation of investors in the Ordinary Shares are based on current tax law and practice in the United Kingdom and the United States, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

Shareholders may have difficulty in effecting service of process on the Group or the Directors in the United States, in enforcing US judgements in the United Kingdom or in enforcing US securities laws in UK courts

The Company and each other member of the Group are incorporated outside the United States and the Group's assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon such persons or the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the United States may also have difficulty enforcing in courts outside the United States judgements obtained in US courts against the Directors or the Company (including actions under the civil liability provisions of the US securities laws). Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

Shareholders outside the United Kingdom may not be able to participate in future equity offerings

The 2006 Act provides for pre-emptive rights to be granted to Shareholders on future equity offerings, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions outside the United Kingdom may restrict the Group's ability to allow participation in future equity offerings by Shareholders located in such jurisdictions. In particular, Shareholders in the United States may not be entitled to exercise their pre-emption rights unless such an offering is registered under the US Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The holdings of Shareholders located outside the United Kingdom who are not able to participate in any future equity offerings could be diluted by any such offerings.

An investment in the Ordinary Shares by a holder whose home currency is not pounds sterling entails significant risks

The Ordinary Shares are denominated in pounds sterling and all payments of dividends or other distributions with respect to the Ordinary Shares will be made in pounds sterling. An investment in the Ordinary Shares by a prospective investor whose home currency is not pounds sterling entails a risk of significant changes in rates of exchange between the Shareholder's home currency and pounds sterling. In the past, rates of exchange between pounds sterling and certain currencies have been volatile, and each prospective investor should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur in the future. Please refer to the paragraph entitled "US Federal Income Taxation" of paragraph 15 of Part 14 (Additional Information) of this Prospectus for certain US federal income tax consequences of the purchase, ownership and disposition of Ordinary Shares being denominated in pounds sterling.

PART 2

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

Prospective investors should only rely on the information in this Prospectus (and any supplementary prospectus required to be published by the Company pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules). No person has been authorised to give any information or to make any representation in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder or the Banks. No representation or warranty, express or implied, is made by any of the Selling Shareholder, the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Selling Shareholder, any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any sale of Ordinary Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company and the Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs after the publication of this Prospectus or if this Prospectus contains any substantial mistake or inaccuracy. This Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Ordinary Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear Business Days after publication of the supplement).

The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective investor should consult its, his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to the purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its, his or her investment decision and to determine whether it, he or she is legally permitted to hold Ordinary Shares under applicable legal, investment or similar laws or regulations. In making an investment decision, each prospective investor must rely on its, his or her own examination, analysis and enquiry of the Group, the terms of the Offer and the terms of this Prospectus (and any supplementary prospectus required to be published by the Company pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules), including the merits and risks involved. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any decision to purchase Ordinary Shares should be based solely on this Prospectus (and any supplementary prospectus required to be published by the Company pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules).

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder, any of the Banks or any of their representatives that any recipient of this Prospectus should purchase Ordinary Shares.

Prior to making any decision as to whether to purchase Ordinary Shares, prospective investors should read this Prospectus (and any supplementary prospectus required to be published by the Company pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules) in its entirety and carefully and not just rely on key information or information summarised within it.

Investors who purchase Ordinary Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Selling Shareholder, the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder, any of the Banks or their respective representatives.

None of the Company, the Directors, the Selling Shareholder, any of the Banks or any of their representatives is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment by such offeree or purchaser.

In connection with the Offer, the Banks and any of their respective affiliates, acting as investors for their own accounts, may acquire Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any offer, acquisition, dealing or placing by the Banks and any of their affiliates acting as investors for their own accounts. None of the Banks intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The Banks are acting exclusively for the Company and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective customers or for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

Over-allotment and stabilisation

In connection with the Offer, Deutsche Bank, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other stabilisation transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotment made and/or any stabilisation transaction conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the Stabilising Period, it is expected that the Selling Shareholder will grant the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

Presentation of financial information

Unless otherwise stated, the financial information included in Section B of Part 11 (*Historical Financial Information*) of this Prospectus has been prepared in accordance with the accounting policies set out in note 2(a) of Section B of Part 11 (*Historical Financial Information*) of this Prospectus. The significant accounting policies are set out within note 2 to the Group’s combined and consolidated historical information in Section B of Part 11 (*Historical Financial Information*) of this Prospectus.

International Financial Reporting Standards (“**IFRS**”) do not provide for the preparation of combined information and, accordingly, in preparing the combined and consolidated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars, as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to

public reporting engagements on historical financial information) issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in a material departure from IFRS. In other respects IFRS has been applied.

Forterra Building Products was incorporated on 26 March 2014 by the HeidelbergCement Group and had no trading activities until it acquired the entire issued share capital of Structerm and the trade and assets relating to the Group's bricks and blocks and bespoke product businesses between 20 August 2014 and 1 September 2014, in each case from other members of the HeidelbergCement Group. As a result, the historical financial information of the Group, being Forterra Building Products and Structerm prior to the Reorganisation for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 has been prepared on a combined and consolidated basis. For the period from 1 January 2013 to 1 September 2014, the financial information of the Group has been prepared on a basis that combines the results, assets and liabilities of all entities within the Group. For the period from 1 September 2014 to 31 December 2015, the historical financial information of the Group has been prepared on a consolidated basis. Prior to 1 September 2014, the Group had not constituted a separate legal group.

Forterra Building Products was acquired by the Selling Shareholder on 13 March 2015.

The Company was incorporated on 21 January 2016 in order to acquire 100% of the issued share capital of Forterra Building Products and became the holding company of the Group immediately prior to Admission pursuant to the terms of the Reorganisation (as further described in paragraph 3 of Part 14 (*Additional Information*) of this Prospectus). As a result, there is no historical financial information relating to the Company. The financial information included in Section B of Part 11 (*Historical Financial Information*) of this Prospectus relates to Forterra Building Products and its subsidiary undertakings (being the Group prior to the Reorganisation). Please refer to paragraph 3 of Part 14 (*Additional Information*) of this Prospectus for details of the Reorganisation.

Set out in Section A of Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus is an unaudited pro forma statement of net assets of the Group as at 31 December 2015 which has been prepared to illustrate the impact of the Offer and the Reorganisation on the net assets of the Group, had these taken place as at 31 December 2015. The unaudited pro forma statement of net assets is compiled from the combined and consolidated balance sheet of the Group as at 31 December 2015 as set out in Section B of Part 11 (*Historical Financial Information*). There is no financial information for the Company, which was incorporated on 21 January 2016; accordingly, the Company is excluded from the unaudited pro forma statement of net assets.

Financial information

The financial information included in Section B of Part 11 (*Historical Financial Information*) of this Prospectus is covered by the accountant's report included in Section A of that part, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, including EBITDA, EBITDA before exceptional items, adjusted EBITDA and cash conversion.

EBITDA, as used in this Prospectus, represents earnings before interest, tax, depreciation and amortisation. EBITDA before exceptional items or adjusted EBITDA, as used in this Prospectus, represents EBITDA excluding one-off or non-trading items, such as profit/loss on disposals of fixed assets (surplus plant and equipment), pension deficit reduction payments relating to the allocated defined benefit pension costs for which the Group is not liable going forward, transaction costs relating to the separation of the Group from the HeidelbergCement Group, restructuring expenses incurred in connection with programmes to reduce costs and improve operating efficiencies and impairment expense/credit. Cash conversion, as used in this Prospectus, represents (adjusted EBITDA less cash capital expenditure) divided by adjusted EBITDA.

Information regarding these measures is sometimes used by prospective investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company.

These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Currency presentations

Unless otherwise indicated, all references in this Prospectus to “sterling”, “pounds sterling”, “GBP”, “£” or “pence” are to the lawful currency of the United Kingdom. The Company prepares its financial statements in pounds sterling.

Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

Market, economic and industry data

This Prospectus contains historical market data and forecasts which have been obtained from industry publications, market research and other publicly available information. Certain information regarding market size, market share, market position, growth rates and other industry data pertaining to the Group and its business contained in this Prospectus consist of the Directors’ estimates based on data compiled by professional organisations and on data from other external sources, including the Office for National Statistics, the CPA, the National House Building Council, the UK Department for Business, Innovation and Skills, the UK Department for Communities and Local Government, HMRC, the Bank of England, the International Monetary Fund and the FCA.

In particular, the Directors’ estimates of the Group’s approximate share and position within the brick, aircrete block and aggregate block markets in Great Britain or the South East and East of England (as applicable) have been calculated as follows:

Bricks: the Group’s market share and market position in Great Britain are based on the Group’s existing brick production capacity compared to the Directors’ estimates of brick production capacity of the Group’s key competitors in Great Britain in 2015, being Ibstock, Michelmersh and Wienerberger. The calculation does not account for other smaller competitors of the Group in Great Britain, which the Directors believe have a significantly smaller production capacity. The Group’s brick production capacity includes manufacturing of the Group’s Fletton bricks, extruded bricks (which include the Group’s special shaped bricks) and soft mud bricks. Ibstock’s, Michelmersh’s and Wienerberger’s brick production capacity in Great Britain includes the manufacture of each company’s extruded bricks (including special shaped bricks) and soft mud bricks.

Aircrete blocks: the Group’s market share and market position in Great Britain are based on estimates of annual production capacity of the Group and its key aircrete block competitors in Great Britain in 2015, being H+H, Tarmac and Thomas Armstrong, prepared by BDS Marketing Research Ltd. The calculation does not account for other smaller competitors of the Group in Great Britain, which the Directors believe have a significantly smaller production capacity.

Aggregate blocks: the Group’s market share and market position in the South East and East of England are based on estimates of annual production capacity of the Group and its key aggregate block competitors in the South East and East of England in 2015, being CEMEX, Lignacite and Tarmac, prepared by BDS Marketing Research Ltd. The calculation does not account for other smaller competitors of the Group in the South East and East of England, which the Directors believe have a significantly smaller production capacity.

The Group’s products are supplied primarily to homebuilders, builders’ merchants, specialised brick merchants, contractors and subcontractors. Certain of the Group’s products are then sold by the Group’s customers, such as builders’ merchants and specialised brick merchants, to their customers. The Group is therefore unable to calculate with certainty its exposure to its end markets. In this Prospectus, any reference to “end markets” in which the Group operates is based on the Directors’ estimates of the end market in which its products are supplied. These estimates are calculated based on the Directors’ knowledge and understanding of the industry in which the Group operates, as well as industry publications, market research and other publicly available information referred to above.

Industry publications and market research generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions.

In some cases there is no readily available external information (whether from trade and business organisations and associations, government bodies or other organisations) to validate market related analyses and estimates, requiring the Group to rely on internally developed estimates.

Although the Directors believe that the Group's internal estimates are reasonable, such estimates have not been verified by any independent third parties and the Group cannot assure investors that a third party using different methods to assemble, analyse or compute market data would obtain the same results. The Group does not intend, and does not assume any obligation, to update industry or market data set forth in this Prospectus, except as required by applicable law. Because market behaviour, preferences and trends are subject to change, prospective investors should be aware that market and industry information in this Prospectus and estimates based on any data therein may not be reliable indicators of future market performance or the Group's future results of operations.

The Directors confirm that all such data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Prospectus, the source of such information has been identified except as described below.

Average facility production capacity

In this Prospectus, the Group's and its competitors' average annual production capacities are calculated as follows:

Brick: average annual brick production capacity of the Group and each of its key competitors, namely Ibstock, Wienerberger and Michelmersh, is calculated as total annual brick production capacity of the relevant company in Great Britain divided by the total number of brick manufacturing facilities of the relevant company in Great Britain and is based on the Directors' estimates of brick production capacities as set out above.

Aircrete blocks: average annual aircrete block production capacity of the Group and its key competitors, namely H+H and Tarmac, is calculated as total annual aircrete block production capacity of the relevant company in Great Britain (which is based on estimates prepared by BDS Marketing Research Ltd) divided by the total number of aircrete block manufacturing facilities of the relevant company in Great Britain.

Aggregate blocks: average annual aggregate block production capacity of the Group and its key competitors in the South East and East of England, namely Lignacite, Tarmac and CEMEX, is calculated as total annual aggregate block production capacity of the relevant company in the South East and East of England (which is based on estimates prepared by BDS Marketing Research Ltd) divided by the total number of aggregate block manufacturing facilities of the relevant company in the South East and East of England.

Presentation of market shares, market positions, production capacities and utilisation rates

Any reference in this Prospectus to market share, market position, production capacity (past, present and estimated future capacity) and utilisation rates of the Group and its competitors are provided on an approximate basis. Any information that has been prepared based on such approximate data, such as percentages increases or decreases, is therefore by its nature provided on an approximate basis.

Manufactured masonry products

The Group defines "manufactured masonry products" as manufactured masonry products used in the construction industry, including bricks, blocks and reconstituted stone walls, but specifically excluding non-wall building applications and partly prefabricated large elements. The Group's range of manufactured masonry products has been compared to the range of manufactured masonry products of the Group's five key competitors, being Ibstock, H+H, Michelmersh, Tarmac and Wienerberger.

No incorporation of website information

The contents of the Group's websites do not form part of this Prospectus.

Definitions and glossary

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 15 (*Definitions and Glossary*) of this Prospectus.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements in the section entitled "*Summary*", and in Part 1 (*Risk Factors*), Part 6 (*Business of the Group*) and Part 9 (*Operating and Financial Review*) of this Prospectus regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. Actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholder and the Banks expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, or the Disclosure and Transparency Rules.

PART 3
DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Paul Lester (<i>Chairman and Independent Non-Executive Director</i>) Stephen Harrison (<i>Chief Executive Officer</i>) Shatish Dasani (<i>Chief Financial Officer</i>) Justin Atkinson (<i>Senior Independent Non-Executive Director</i>) Divya Seshamani (<i>Independent Non-Executive Director</i>) Bradley Boggess (<i>Non-Executive Director</i>) Richard Cammerer Jr. (<i>Non-Executive Director</i>)
Company Secretary	Benjamin Guyatt
Registered and head office of the Company	5 Grange Park Court Roman Way Northampton NN4 5EA United Kingdom
Joint Global Co-ordinator, Joint Bookrunner and Sponsor	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Joint Global Co-ordinator and Joint Bookrunner	Credit Suisse Securities (Europe) Limited One Cabot Square London E14 4QJ United Kingdom
Joint Bookrunner	Citigroup Global Markets Limited Citigroup Centre 33 Canada Square Canary Wharf London E14 5LB United Kingdom
English and US legal advisers to the Company	Gibson, Dunn & Crutcher LLP Telephone House 2–4 Temple Avenue London EC4Y 0HB United Kingdom
English and US legal advisers to the Joint Global Co-ordinators, Joint Bookrunners and Sponsor	Linklaters LLP One Silk Street London EC2Y 8HQ United Kingdom
Reporting Accountant and Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

Expected timetable of principal events

<u>Event</u>	<u>Time and Date</u>
Announcement of Offer Price and allocation	7.00 a.m. on 21 April 2016
Commencement of conditional dealings on the London Stock Exchange	8.00 a.m. on 21 April 2016
Publication of the Prospectus	21 April 2016
Admission and commencement of unconditional dealings in the Ordinary Shares on the London Stock Exchange	8.00 a.m. on 26 April 2016
Crediting of Ordinary Shares to CREST accounts	26 April 2016
Despatch of definitive share certificates (where applicable)	on or before 6 May 2016

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of title will not be issued.

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

Offer statistics

Offer Price (per Ordinary Share)	180 pence
Number of Ordinary Shares in issue immediately prior to Admission	200,000,000
Number of Ordinary Shares being sold in the Offer ⁽¹⁾	70,000,000
Percentage of the issued ordinary share capital being sold in the Offer ⁽¹⁾	35.0%
Number of Ordinary Shares subject to the Over-allotment Option ⁽²⁾	10,500,000
Expected market capitalisation of the Company at the Offer Price ⁽³⁾	£360,000,000
Estimated net proceeds of the Offer receivable by the Selling Shareholder ⁽¹⁾⁽⁴⁾	£121.6 million

Notes

- ⁽¹⁾ Does not include any Over-allotment Shares that may be sold by the Selling Shareholder pursuant to the Over-allotment Option.
- ⁽²⁾ The maximum number of Ordinary Shares subject to the Over-allotment Option will be 15% of the total number of Offer Shares.
- ⁽³⁾ The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.
- ⁽⁴⁾ The estimated net proceeds receivable by the Selling Shareholder are stated after deduction of the estimated underwriting commissions, VAT (if applicable) and stamp duty or SDRT payable by the Selling Shareholder, which are currently expected to be approximately £4.4 million.

PART 5 INDUSTRY OVERVIEW

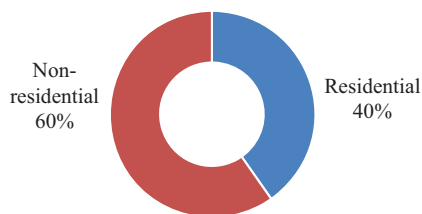
1. OVERVIEW

Bricks, blocks and certain of the Group's bespoke products are core components to house building and other construction activities. The Group sells its products under three operating segments: bricks, blocks and bespoke products. The Group manufactures Fletton bricks, soft mud bricks and extruded bricks, aircrete blocks and aggregate blocks. The Group's bespoke products segment manufactures and sells various other building products, including precast concrete, concrete block paving, chimney and roofing solutions and structural external wall insulation.

The Group's markets

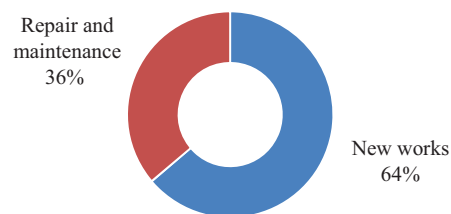
The Group's products are used almost entirely in construction activities in the United Kingdom, and demand for the Group's products is therefore directly related to levels of UK construction activity, which can be broken down by both end market and end use. Specifically, in 2015, as illustrated in charts 1 and 2 below, the Construction Products Association (the "CPA") estimated that construction activity in Great Britain was split as follows:

Chart 1: Great Britain market breakdown by end market



Source: CPA Report (Winter 2015)

Chart 2: Great Britain market breakdown by end use



Source: CPA Report (Winter 2015)

The Directors estimate that in 2015 residential new build construction activities in the United Kingdom, residential RMI activities in the United Kingdom and commercial construction activities in the United Kingdom accounted for approximately 55%, 40% and 5%, respectively, of the Group's revenue.

The Group operates within the general UK building products market, which consists of a wide variety of products used in construction activities. Products in this market include bricks, blocks, dry wall, prefabricated concrete elements, roofing materials, timber frame and in-situ concrete. The UK building products market can be further divided into a number of smaller market segments. Given that 75.1% of the Group's 2015 revenue was generated by sales of the Group's bricks and blocks (before intersegment eliminations), the "manufactured masonry market", which is discussed in greater detail in paragraph 2 of this Part 5 (*Industry Overview*) of this Prospectus, is the most relevant market segment for the Group. The Group's bespoke products are sold in a number of smaller, discrete markets, as discussed in paragraph 2 of this Part 5 (*Industry Overview*) of this Prospectus, and generated 25.4% of the Group's revenue in 2015 (before intersegment eliminations). Further details of the Group's range of products are set out in paragraph 5 of Part 6 (*Business of the Group*) of this Prospectus.

The Directors believe that the Group is the second largest producer of clay bricks and the second largest manufacturer of aircrete blocks in Great Britain, and the leading manufacturer of aggregate blocks in the South East and East of England. The Directors also believe that the Group has the broadest range of manufactured masonry products on offer in the United Kingdom.

General market conditions

The UK housing market has experienced long-standing, structural undersupply. Prior to the financial crisis, there was a shortage of approximately 450,000 houses, according to the Barker Review of Housing Supply in 2004. The situation further deteriorated following the financial crisis, with a reduced number of new housing completions. The market picked up following the economic downturn, with a rise in the number of housing completions, however, current output remains well below historic levels and the Directors believe that there is opportunity for the UK housing market to grow.

Within the UK building products market, the financial crisis gave rise to a significant decrease in UK construction output which resulted in reduced demand for bricks. As a result, UK brick manufacturers, including the Group, re-examined their capacities and cost structures, leading to the sale, closure or mothballing of many older and inefficient facilities. To supply market demand, many UK brick manufacturers shifted to selling products from stock, thereby reducing inventory levels. As the housing market recovered following the economic downturn and as larger housebuilders shifted the housing mix of new build construction back towards single-family dwellings, demand for bricks increased and manufacturers began to bring mothballed capacity back online. The Directors estimate that industry brick production levels in Great Britain have been increasing year on year since 2012.

At the same time, as the UK economy recovered from the economic downturn and demand for housing in Great Britain increased, the rate of household formation was increasing at rates well above the level of increase in housing completions, compounding the structural undersupply of homes in Great Britain. The UK Government has also taken a number of steps to make home ownership more attainable, as further described in paragraph 4 of this Part 5 (*Industry Overview*) of this Prospectus. These trends have further increased the demand for new homes, and therefore, building products. However, even as UK manufacturers brought most of their mothballed capacity back online and were operating closer to utilisation levels seen before the financial crisis, there remained a structural imbalance between supply and demand for building products in the United Kingdom, particularly in the market for bricks.

Given the structural imbalance between supply and demand, in the context of a recovering housing market, UK housebuilders were concerned about the potential for a short-term undersupply of bricks. In order to ensure availability of brick supplies, some housebuilders chose to build up inventories by sourcing more bricks from imports from continental Europe. While imported bricks have historically represented approximately 5% to 7% of total brick deliveries in Great Britain, demand has increased since the first half of 2014. While import levels generally remained at a high level through 2015, the level of imports normalised towards the second half of 2015. Overall, the Directors believe that high import levels are not sustainable due to the higher cost of imported bricks and the increasing availability of domestic bricks as UK brick manufacturers have increased brick production and brick inventories.

These market conditions in the United Kingdom, as well as the housing and commercial construction markets more generally, are discussed in greater detail in paragraphs 4 and 5, respectively, of this Part 5 (*Industry Overview*) of this Prospectus.

2. MANUFACTURED MASONRY MARKETS

The Group defines the “manufactured masonry market” as the market of manufactured masonry products used in the construction industry, including the market for clay bricks, concrete blocks and reconstituted stone walls, but specifically excluding non-wall building applications and partly prefabricated large elements. The manufactured masonry market is dominated by a limited number of players, such as the Group, which have consolidated market shares and which benefit from entrenched competitive and commercial positions and a nationwide footprint of manufacturing facilities to service their strong sales relationships, both nationally and regionally.

The Directors believe that the manufactured masonry market often varies from region to region for a number of reasons. First, the availability of raw materials differs across geographic regions and these differences influence the building products used. Secondly, regions often have different building traditions or requirements and customers may prefer or be required to use products consistent with those previously used, whether in new construction or RMI activities. As such, UK homebuilders are often required to use bricks manufactured to match existing local architecture and adhere to market trends.

Thirdly, bricks and blocks, particularly aggregate blocks, are typically heavy and/or bulky and therefore not cost effective or efficient to transport across long distances. Distribution costs associated with importing these products can significantly increase the price of imported products. If a foreign producer chose to match domestic manufacturer prices, the producer would likely see a significant decrease in margins as a result of absorbing the added cost of distribution. Furthermore, the Directors believe the UK construction industry prefers to source domestic manufactured masonry products because producers can typically offer more efficient service and personal after sales support.

UK brick market

The market for bricks in the United Kingdom is, in part, regional, given the local attributes of different varieties of clay and high transport costs. The Directors estimate that the brick industry in Great Britain currently produces approximately 1.8 billion bricks per annum, while the industry has a maximum production capacity of up to

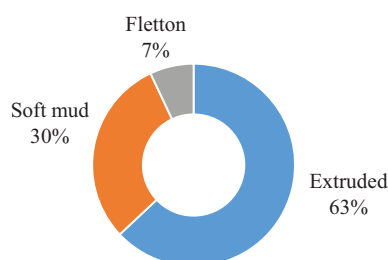
approximately 2 billion bricks per annum, implying an industry capacity utilisation of approximately 90%. The brick market in Great Britain is highly consolidated, with the four largest players, namely Ibstock, the Group, Wienerberger and Michelmersh, sharing production capacity estimated at 1.9 billion bricks per annum in 2015, or 95% of Great Britain's brick production capacity. Smaller-sized producers constitute the bulk of the remaining share of production capacity.

There are significant barriers for any new market participant wishing to enter the UK brick market. Production capacity at manufacturing facilities is not easily scalable over a short period of time. Where mineral reserves are needed, gaining access to such reserves in the right geographic locations can be difficult. Additionally, once rights to reserves are acquired, the Directors estimate that upon acquiring a greenfield site with sufficient quality mineral reserves, a new entrant would require between four to seven years to secure the necessary planning and environmental permits and two to three further years to build an operational brick facility. Also, the nature of the business requires a significant amount of upfront capital investment to build the necessary manufacturing facilities, and often with no net financial returns in the first few years of operation. To establish a large state-of-the-art new brick facility, the Directors estimate that it would cost between £50 million and £100 million. The business of selling brick products also involves a reasonably complex industrial supply chain that relies on sophisticated manufacturing technology, specific technical know-how, availability of raw materials, an efficient distribution network and sales relationships with housebuilders and distributors.

Due to their affordability, aesthetics, long life and sustainability features, as well as requiring little to no maintenance during their life, clay bricks are often used as a primary building material for residential buildings.

Within the brick industry in Great Britain, the Directors estimate that 63% of domestic bricks delivered are extruded bricks. The Directors estimate that soft mud bricks, while more popular in the South of England, account for 30% of total domestic bricks delivered in Great Britain. The Directors estimate that the remaining 7% of domestic bricks delivered in Great Britain are Fletton bricks, which are manufactured solely by the Group.

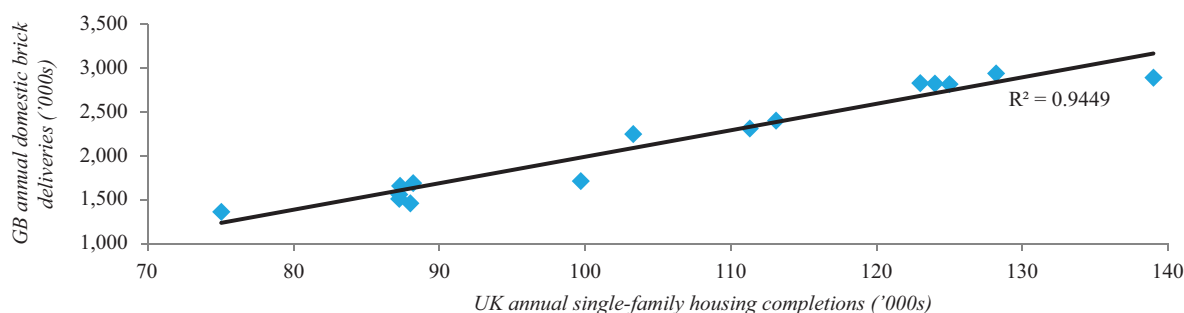
Chart 3: Great Britain clay brick type dynamic



Source: Directors' estimates, Company information

Different housing types require different quantities of bricks, with single-family housing usually requiring two to three times more bricks per unit than multi-family housing. The Directors estimate that bricks comprise approximately 72% of materials used in the façade for residential construction in the United Kingdom. Therefore, the supply of, and demand for, clay bricks largely mirrors the housing cycle and, to a lesser extent, shifts as the concentration of residential constructions shifts between single-family and multi-family housing. Due to these two factors, as illustrated in chart 4 below (which incorporates annual data for the period from 2000 to 2014), brick demand closely correlates with single-family housing completions.

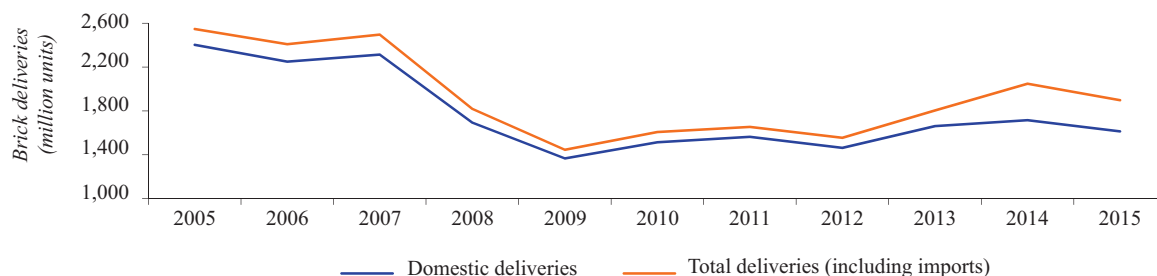
Chart 4: Correlation between brick demand and single-family housing completions



Source: Directors' estimates, Department of Business, Innovation and Skills, Euroconstruct

The Directors estimate that approximately 2.6 billion bricks were delivered annually in Great Britain before the financial crisis, approximately 200 million of which were imports, with the remainder being sourced from within Great Britain. However, as demonstrated by chart 5 below, the number of brick deliveries in Great Britain decreased in the years following the financial crisis.

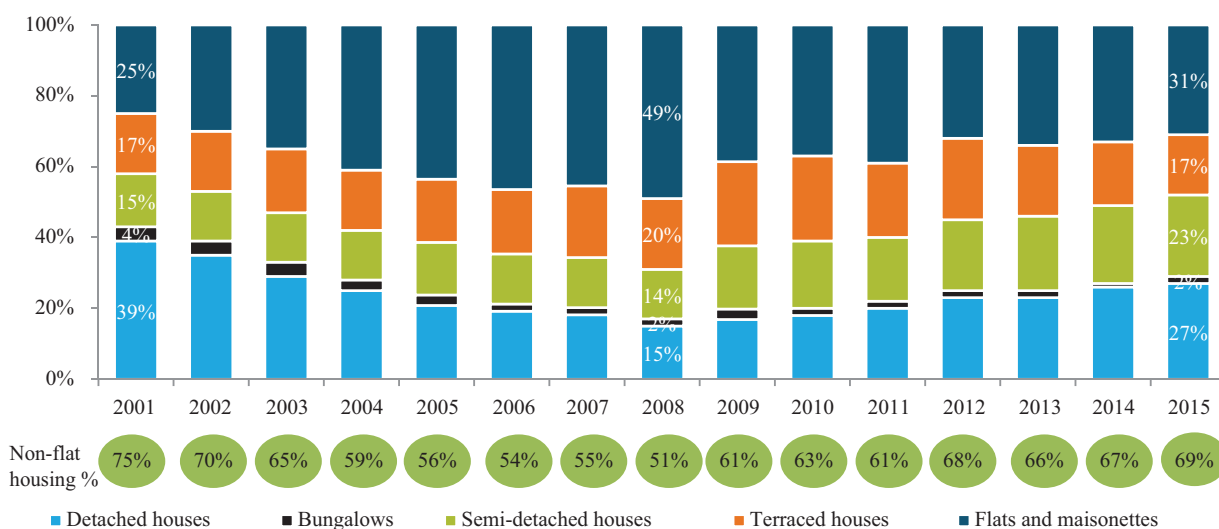
Chart 5: Brick deliveries in Great Britain



Source: Directors' estimates, HMRC

The Directors believe that a longer term shift in the focus of construction activity towards the building of apartments and maisonettes as opposed to new houses impacted the level of brick deliveries in Great Britain. In 2001, in an effort to accommodate a growing population and increase household formations, as discussed in greater detail in paragraph 4 of this Part 5 (*Industry Overview*) of this Prospectus, the UK Government published the Planning Policy Guidance 3 ("PPG3") which favoured apartments and maisonettes over houses. As illustrated by chart 6 below, the residential construction industry took PPG3 seriously and, according to the National House Building Council, the percentage of non-apartment housing in the United Kingdom dropped from 75% in 2001 to 51% in 2008.

Chart 6: Historical housing mix in the United Kingdom



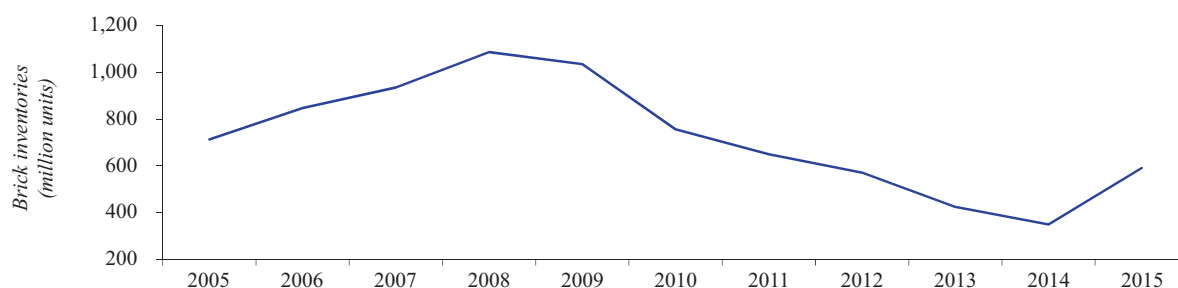
Source: National House Building Council (2015)

Demand for bricks in the United Kingdom was further reduced during the economic downturn as construction activity slowed, as discussed in greater detail in paragraph 4 of this Part 5 (*Industry Overview*) of this Prospectus. According to the Department for Business, Innovation and Skills, brick deliveries in 2009 dropped by approximately 40%, compared to deliveries before the financial crisis.

Since 2009, as a result of softened demand for bricks in Great Britain, the major UK brick manufacturers, including the Group, adopted a disciplined approach to addressing decreasing demand. The Directors believe that the industry overall was operating less efficiently before the financial crisis. As the substantial impact of the financial crisis hit, in order to maintain a profitable and efficient operation, each manufacturer reassessed its high-cost asset base and subsequently sold, closed or mothballed its inefficient and less profitable brick manufacturing facilities. The Directors estimate that brick production capacity in Great Britain that was closed or

mothballed accounted for approximately 20% and 10%, respectively, of total brick production capacity in Great Britain before the financial crisis. The Group had a particular focus during this period on streamlining its manufacturing operations to increase efficiency and reduce costs. For instance, the Group consolidated three aged, inefficient clay brick facilities into a new, fully automated, brick manufacturing facility at Measham (as further described in Part 6 (*Business of the Group*) of this Prospectus). The Directors estimate that these capacity rationalisation efforts have significantly decreased annual brick production capacity in Great Britain to approximately 2.0 billion, compared to approximately 2.6 billion brick production capacity prior to the financial crisis. With a streamlined asset base, UK manufacturers supported the market demand by utilising their existing inventories. According to statistics from the Department of Business, Innovation and Skills, brick inventory levels in Great Britain dropped from a peak of 1.1 billion in 2008 to 600 million in 2015. At the same time, the Directors believe that UK brick manufacturers had also shifted their stocking strategy by reducing inventory levels relative to sales from their peak of nine months' stock during the early part of the financial crisis to current levels of four months' stock.

Chart 7: Brick inventories in Great Britain



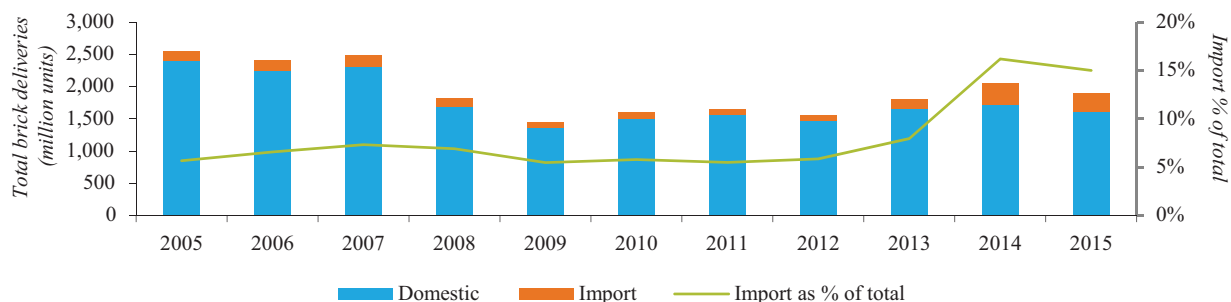
Source: Department for Business, Innovation and Skills

During the period from 2009 to 2014, the UK brick market benefited from the reversion of housing mix back towards historical norms, as reflected in chart 6 above. The UK Government published Planning Policy Statement 3 in 2011 updating PPG3, promoting a mix of different housing types. Thereafter, the trend of building more multi-family dwellings than houses reversed, with the percentage of non-apartment construction increasing from its 2008 level of 51% to 69% in 2015 according to the National House Building Council. At the same time, UK brick manufacturers also rebuilt strategic inventories during late 2015 as previous stocks were too low to maintain customer service levels.

As a result of this increased brick demand in the United Kingdom, the Directors believe that UK brick manufacturers have brought most of their mothballed capacity back online, while at the same time increasing production volumes, which the Directors estimate provided an industry capacity utilisation of 90% in 2015.

Despite UK brick manufacturers' higher production levels and reopening most of their mothballed production capacity, the Directors believe that many UK housebuilders feared that the supply of UK manufactured bricks may not fulfil potential demand as the UK housing market rebounds. As a result of this perception, UK housebuilders turned to imports in 2014 and early 2015, mainly from Belgium, the Netherlands and Germany, and chose to pay a premium price for the security of brick supply. Over the last 10 years, importers have supplied on average between 100 million to 150 million bricks per annum, or 5% to 7% of total brick deliveries in Great Britain per annum, as illustrated by chart 8 below.

Chart 8: Total brick deliveries (domestic deliveries and imports) vs. imports in Great Britain



Source: Directors' estimates, HMRC

Due to additional demand from UK housebuilders, the level of brick imports into Great Britain increased to 8% in 2013 and 16% in 2014. Import volumes in 2014 reached over 330 million bricks. As a result of this increase, many of the Group's customers purchased more bricks than their underlying demand, leading to substantial stockpiling among many UK housebuilders.

While imported bricks played an effective role in mitigating the temporary shortage of bricks produced in the United Kingdom, they are generally more expensive due to the higher transportation costs. Further, given Benelux is the largest brick importer into the United Kingdom, the anticipated recovery in the housing market in the Netherlands is expected to shift the focus of brick manufacturers in those countries back to meeting local supply needs rather than incurring the added cost of exporting bricks to the United Kingdom.

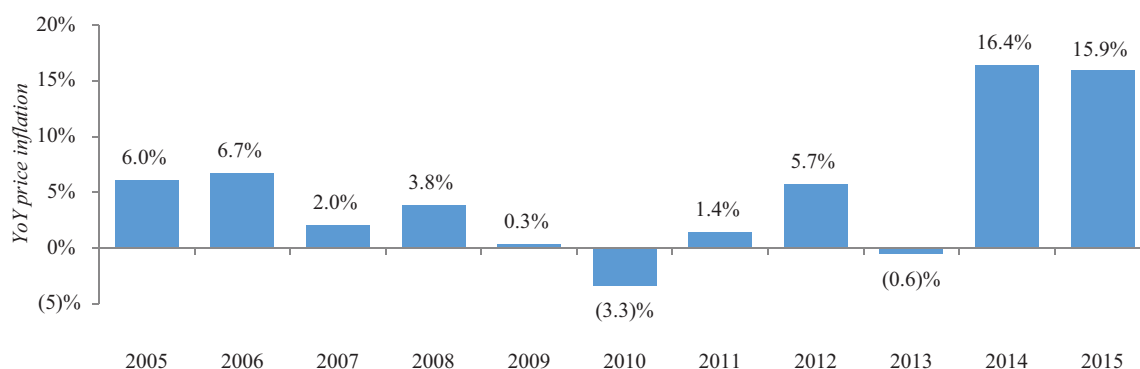
Following the surge in imports starting in 2014, the Directors believe brick inventory levels at many UK housebuilders were significantly higher. As a result, many UK housebuilders decided to strategically destock the previously purchased imported bricks. Therefore, total domestic brick deliveries in Great Britain in 2015 declined, as illustrated in chart 8 above, to a level of approximately 1.7 billion.

While brick import levels in Great Britain remained high in 2015 at approximately 285 million bricks, or 14% of total brick deliveries, the Directors believe such continued trend is only due to legacy contractual commitments with importers. In fact, on quarterly trends, brick import levels were already in decline quarter over quarter starting in the first quarter of 2015. The Directors expect that brick import volumes will normalise in the short-term and stay at levels of approximately 8% to 10% of annual brick deliveries in Great Britain.

Given the anticipated lower level of brick imports into Great Britain and the continued growth in the housing market in the United Kingdom, the Directors expect a growth in brick demand over the next few years. Furthermore, given the potential for further growth in the housing market, the demand for bricks in the United Kingdom may increase further, having already returned to a 90% capacity utilisation rate. The Directors estimate that potential UK market demand for bricks may reach approximately 2.4 billion bricks per annum in the medium-term, creating an annual supply-demand gap of approximately 400 million bricks, based on existing market capacity in Great Britain. In order to address a shortfall in brick supply, as further described in Part 6 (*Business of the Group*) of this Prospectus, by making improvements to its facilities at Claughton, Desford and Accrington, the Directors estimate that the Group can increase its annual production capacity in the short-term by 25 million bricks. Additionally, the Directors estimate that the Group has the option further to increase its annual brick production capacity in the medium- to long-term by 145 million bricks, with the development of its sites at Swillington and Clockhouse. Istock announced in October 2015 that it expected to increase its annual UK production capacity by approximately 100 million bricks with its new facility in Leicestershire, which is expected to begin production in 2017 to 2018.

Brick prices remained relatively stable during the economic downturn, which the Directors believe was primarily due to the UK industry's capacity rationalisation efforts during this period. As illustrated in chart 9 below, average brick prices remained relatively constant between 2008 and 2013, and increased meaningfully in 2014 and 2015.

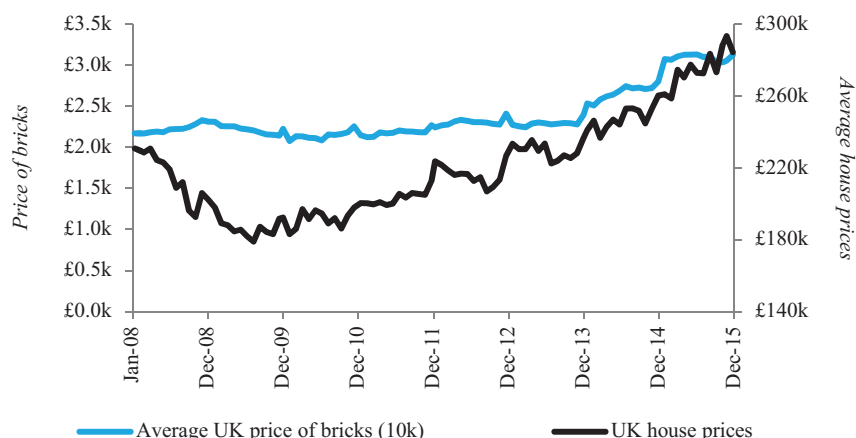
Chart 9: Great Britain brick pricing inflation



Source: Directors' estimates

Since the financial crisis, brick prices have generally increased and shown more resilience relative to average UK house prices as illustrated by chart 10 below. Furthermore, the Directors believe the cost of bricks typically represents only a small percentage, often less than 1%, of the overall value of a new house, while at the same time bricks play an important role in an overall housing project. Therefore, the Directors do not expect the price increases in recent years to have any meaningful impact on demand.

Chart 10: Average brick prices of UK manufacturers vs. UK housing prices



Source: ONS, Directors' estimates

The Group also manufactures the unique Fletton brick, which is used in the residential RMI market. Over 5 million homes in England were originally built using the Group's iconic Fletton brick, representing approximately 23% of England's existing housing stock. The Group is the only manufacturer of the Fletton brick, which is targeted at the RMI market in England. Sales volumes of Fletton bricks remained resilient since the onset of the financial crisis. As the product of choice for residential RMI customers undertaking RMI works on Fletton-clad housing, the Fletton brick has also become a premium priced product and has experienced significant price rises over time. The Directors estimate that the Group's Fletton brick commands a premium of 60% to 80% compared to the national average price for standard bricks.

The Directors believe that the demand for Fletton bricks closely follows private housing RMI activity, which is in general more resilient than the residential new build market in the United Kingdom. The Group's offering of Fletton bricks therefore reduces the Group's exposure to the cyclicity of the UK new build housing market.

UK concrete block market

The Group manufactures two concrete block products: aircrete blocks and aggregate blocks. Aggregate blocks can be subdivided into dense and lightweight block types. Both aircrete blocks and aggregate blocks are widely used in residential construction. Aggregate blocks are also used in commercial and industrial construction. In 2015, according to the Department of Business, Innovation and Skills, dense aggregate blocks, lightweight aggregate blocks and aircrete blocks represented 39%, 29% and 32% of deliveries of concrete blocks in Great Britain, respectively. The Directors believe that the UK block industry follows a similar pattern, and has similar drivers to the UK brick industry, as discussed above, however, in relation to aggregate blocks, there are low barriers to entry to any new entrant.

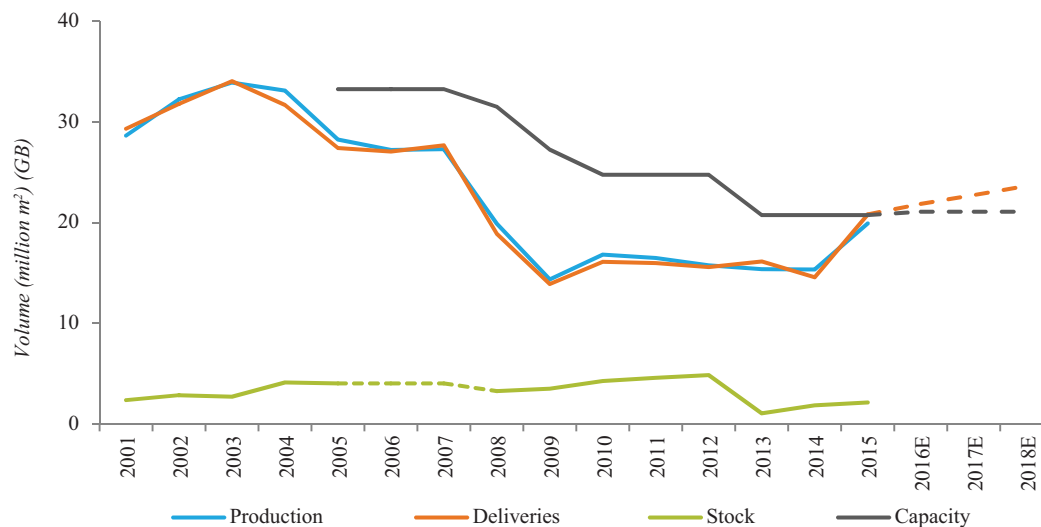
Aircrete blocks

The market for aircrete blocks in Great Britain is highly consolidated. The three largest manufacturers, namely H+H, the Group and Tarmac accounted for 96% of Great Britain's aircrete block production capacity in 2015. This market saw substantial change in 2015 as a result of several corporate transactions. Following the merger of the global operations of Lafarge Tarmac and Holcim, a transaction that created LafargeHolcim, CRH plc acquired the majority of the Lafarge Tarmac assets in Great Britain and now operates that business under the Tarmac trading name. Aircrete blocks compete with aggregate blocks and wood frame construction.

Annual aircrete block production and delivery levels in Great Britain were at a peak of approximately 34 million m² in 2003 according to the Department of Business, Innovation and Skills. However, market demand decreased by approximately 20% between 2003 and 2007 as a result of the shift in housing mix discussed above

towards construction of flats and maisonettes. In 2008 and 2009, as aircrete block demand declined compared to 2007 levels, so did production capacity, as illustrated by chart 11 below. Three aircrete block manufacturers in Great Britain closed manufacturing facilities between 2007 and 2009, reducing total production capacity in Great Britain by over 25%.

Chart 11: Demand and supply development of aircrete blocks in Great Britain



Source: Department of Business, Innovation and Skills, Directors' estimates

As reflected in chart 11 above, demand for aircrete blocks stabilised as the housing market in the United Kingdom improved following the economic downturn, as further described in paragraph 4 of this Part 5 (*Industry Overview*) of this Prospectus. In 2013, aircrete block manufacturer inventory levels in Great Britain decreased by approximately 80%, as a result of the increase in housing construction without a comparable increase in production.

The Directors believe that future increases in demand for aircrete blocks in Great Britain will be driven by further recovery in the residential housing market, more stringent building codes and the ability to enhance the detailing of aircrete blocks. The Directors also believe that the favourable sustainability characteristics of aircrete blocks should also spur increased demand.

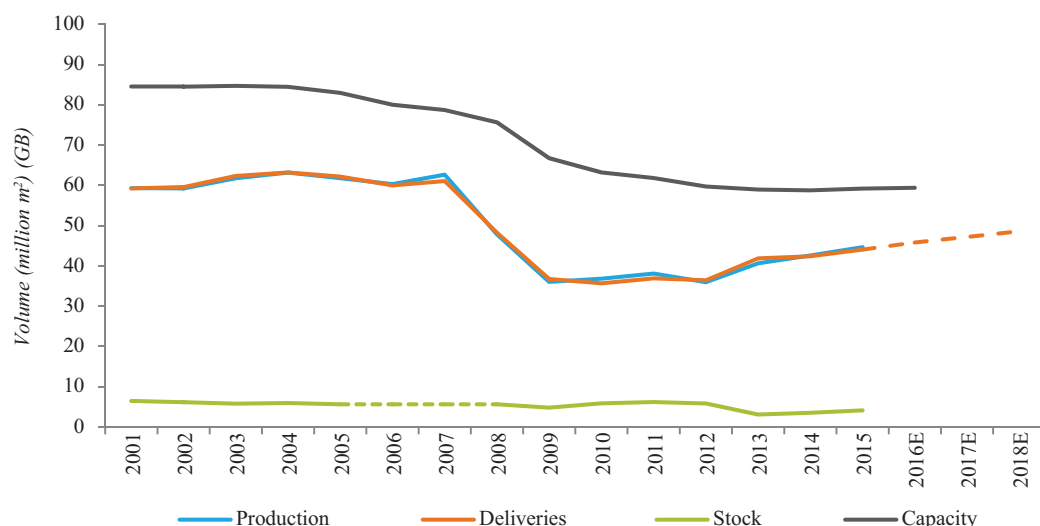
Aggregate blocks

Contrary to the market for aircrete blocks, the market for aggregate blocks in Great Britain is fragmented. The Group's national competitors in aggregate blocks include major integrated building materials companies such as CEMEX and Tarmac and block manufacturer Lignacite, as well as a number of smaller local manufacturers. In the South East and East of England, the competitive landscape is more consolidated and the Group has a market share in this region of 34% calculated by annual production capacity of the Group and its key competitors in that region. The Directors believe that the primary means of competition are proximity to end markets and the quality and availability of products. Aggregate block demand in Great Britain largely follows the same trends as those driving demand for aircrete blocks and bricks.

Prior to the financial crisis, in 2001 to 2007, demand for aggregate blocks in Great Britain was approximately 60 million m². However, demand for aggregate blocks dropped by approximately 40% during the economic downturn.

The Directors estimate that since 2001, aggregate block manufacturers in Great Britain closed facilities representing more than 25 million m² of annual production capacity, predominantly during the economic downturn. Specifically, as illustrated by chart 12 below, approximately 60% of the capacity-reducing actions were taken between 2008 and 2010. During this period, the Group strategically repositioned itself to focus on the economically prosperous South East and East of England, materially reducing its capacity by closing a total of 10 aggregate block facilities. The Directors believe that the repositioning enhanced the Group's profile, as the South East and East of England generally demonstrated higher demand for aggregate blocks.

Chart 12: Demand and supply development of aggregate blocks in Great Britain



Source: Department of Business, Innovation and Skills, Directors' estimates

Following the decline in demand for aggregate blocks in Great Britain in 2008, aggregate block delivery levels have gradually increased. However, despite growing by approximately 3% per annum since 2009, as reflected in chart 12 above, aggregate block deliveries in Great Britain are still approximately 30% below 2007 levels. The Directors believe continued recovery of the residential construction market and further technical specifications within commercial and architectural segments will be the primary drivers for future growth.

Concrete block market forecasts

Total concrete block deliveries in Great Britain increased by 11% in 2013, and further increased by 14% in 2015, attributable to growth in the private housing, private commercial, private industrial and other public non-housing sectors. Overall, despite this increase, the Directors believe that demand will continue to strengthen in line with the continued recovery of the UK housing market, which is discussed in greater detail in paragraph 4 of this Part 5 (*Industry Overview*) of this Prospectus. The Directors forecast that market demand for concrete blocks in Great Britain will continue at a rate of approximately 4% per year over the next few years, primarily driven by the recovery in the United Kingdom housing market.

Several market players have implemented initiatives to add production capacity to support the expected growth in the concrete block market. Over the last two years, CEMEX and Skene opened new manufacturing plants at Soutra Mains in Lothian and Haughley in Suffolk, respectively. Thomas Armstrong installed a new block making line at its Aintree facility, that is expected to double its manufacturing capacity, and began work in the summer 2015 on a new £12 million concrete block production unit at Cross Green, Leeds, which, upon completion, will replace its existing facility at Garforth. The Group has also added some incremental capacity at its existing facilities.

Distribution

Manufactured masonry is predominantly sold directly to housebuilders and contractors or through distributors. Housebuilders can vary between large, national operations (for example, Barratt, Persimmon, Taylor Wimpey and Bellway Homes) and smaller, local businesses. Distributors, or builders' merchants, can be further divided into different categories based on their size and market positioning: national distributors (e.g. Travis Perkins and Jewson), merchant buying groups that procure bricks through buying consortiums (for example, Fortis, NBG and CBA), large independent distributors with multiple branches (for example, MKM, Bradfords, Huws Gray) and independent merchants (predominately family owned businesses).

National housebuilders often place their orders directly with manufactured masonry suppliers due to their operating scale and order size. Regional and local housebuilders, on the other hand, often require smaller volumes and may choose to source their materials via distributors to maximise their procurement efficiency. The

use of distributors is particularly common in such cases, especially for heavy building materials, because distributors can purchase full loads and supply smaller quantities to their customers while offering an integrated range of product solutions.

The Directors believe that distributors of bricks and blocks generally perform several functions, including managing inventories and shipping products from their warehouses or directly from the manufacturers' warehouses to construction sites. They also provide display areas for building material products and provide advice and technical assistance to their customers. All merchants generally stock and sell a similar range of core heavy-side materials. Although some may specialise in certain sectors, the majority focus on servicing the RMI market supplying small to medium builders, contractors and self-builders.

The Directors believe that product availability and pricing are often the key decision factors housebuilders and distributors consider when making a purchase.

3. BESPOKE PRODUCTS BUILDING MATERIALS MARKET

The Group's bespoke products business segment operates in a number of fragmented markets. Certain of the Group's bespoke products, such as its precast concrete flooring products and its concrete block paving products, are complemented by the Group's manufactured masonry products. Other products, such as the Group's chimney and roofing solutions and structural external wall insulation products, are prevalent in the renovation markets which tend to be more resilient, but also grow more slowly. The industry value chains for the various markets for the Group's bespoke products are usually less complex relative to the manufactured masonry products market, and therefore may have relatively low barriers to entry.

Precast concrete

The Group offers an extensive range of engineered structural flooring and stair solutions, as well as heavy precast products, which are complemented by the Group's full design and nationwide installation services. Many of these products are designed to be universal and work with all building types in all markets. These products are typically manufactured offsite to the customer's technical specification before being installed by the Group at the project location, thereby providing builders and contractors with cost-effective solutions.

Beam and block flooring and hollowcore floors are two of the Group's key products within its precast concrete product range. The Directors estimate that the market for beam and block flooring is approximately £170 million per annum, with approximately 85% attributable to the UK housing end markets. Given the relative high exposure to the UK residential market, the overall market development follows that of the UK housing cycle. The Directors estimate that the Group currently has an 18% market share and is the second largest supplier of beam and block flooring in the United Kingdom.

The hollowcore floors market, on the other hand, has a more diverse end market, with only approximately 50% attributable to UK housing and the majority of the rest used in commercial applications. The Directors believe that the market is currently valued at approximately £175 million per annum, and the market has demonstrated more resilience during the economic downturn. The Directors estimate that it is the third largest supplier of hollowcore floors in the United Kingdom.

Concrete block paving

The Group's Formpave® products comprise a range of concrete block paving products which can be used in the Group's patented, sustainable urban drainage systems which primarily target the residential and commercial construction markets. The Group's products fit within a niche paving segment within these markets and address specific needs for value-added solutions for rain water flow management. The Group competes with alternative manufacturers of sustainable urban drainage solution systems. The Directors believe that water flow management in car parks and residential access roads will drive future demand for the Group's concrete block paving products.

Chimney and roofing solutions

The Group offers a range of chimney and roofing solutions through its Red Bank® brand, including fire-backs, clay and concrete flue liners, chimney pots and terminals, clay ridge tiles, and air bricks. Due to the wide variety of product solutions, these chimney and roofing components are usually sold to merchants and specialist roofing

suppliers for distribution to end customers. The Group's Red Bank® products are used primarily in the renovation of pitched roofs in low-to-mid-rise residential buildings; sales of the Group's chimney and roofing solutions are therefore, predominantly driven by the UK residential RMI market.

Structural external wall insulation

The Group's Structherm® products provide refurbishment solutions to the construction industry through their patented structural external wall insulation ("SEWI") systems. SEWI solutions can extend the lifespan of a building by up to 30 years and are particularly relevant for the substantial portion of the UK public housing stock built in the 1960s and 1970s, much of which is in need of renovation. Therefore, the demand for Structherm® products is largely driven by the UK public housing RMI market, and thereafter the education and commercial sectors. The Group competes with other alternative forms of wall insulation systems.

4. UK HOUSING MARKET

The housing sector in the United Kingdom is comprised of private and public housing and includes activities related to both new build and RMI. New build activity is generally measured by the number of housing starts and the number of housing completions. Historically, new build activity has tracked broader economic cycles. RMI activity, on the other hand, is more resilient. The CPA estimates that the size of the residential new build market (measured by the value of housing completions) and the residential RMI market (measured by economic output) in Great Britain in 2015 was approximately £29 billion and £24 billion, respectively.

Residential new build market

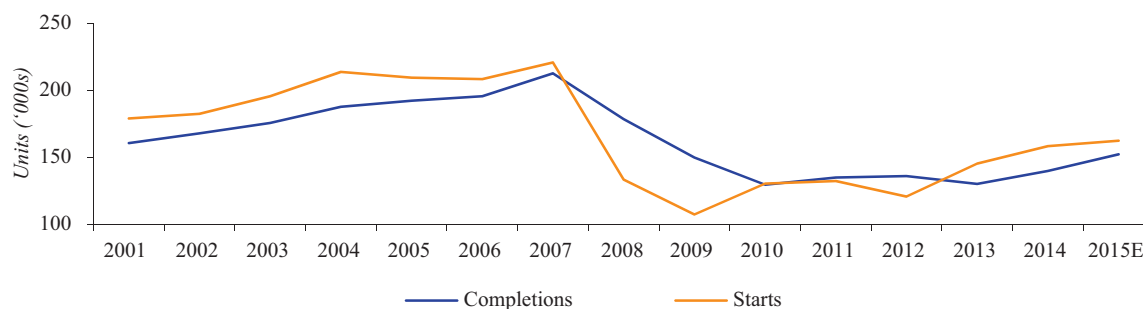
There has been a long-standing, structural undersupply of homes in the United Kingdom, even prior to the financial crisis. The economic downturn only served to increase the structural undersupply, as the number of new build housing starts and completions decreased, while household formations remained relatively constant. Despite the gradual recovery of the UK housing market since 2009, with higher housing completion rates, the estimated number of housing completions in Great Britain in 2015 was still below the peak levels achieved in 2007 and 2008. Projected population growth is expected to further enhance this undersupply.

Structural undersupply of housing

Over the last 15 years, the housing market in the United Kingdom has experienced a complete cycle as a result of the financial crisis. The market saw a period of rapid growth followed by pronounced contraction, and then slow, but meaningful recovery, as demonstrated in chart 13 below. According to the CPA, the number of housing starts in Great Britain increased from 178,848 units in 2001 to 220,728 units in 2007. As the impact of the financial crisis hit, the level of housing starts in Great Britain dropped sharply to 133,340 units in 2008, and eventually to a trough of 107,218 units in 2009.

Housing completions in Great Britain followed a similar trend, growing from 2001 to a high of 212,564 in 2007, followed by a period of rapid decline. However, the financial crisis did not impact completions, which reached their trough of 129,502 units in 2010, as quickly or as drastically as housing starts because of the pipeline of housing projects started prior to the onset of the financial crisis that were still completed despite the financial climate in 2008 and 2009. In 2014, aggregate housing completions in Great Britain totalled 139,694 units according to the CPA. The CPA forecasted that total housing completions in 2015 in Great Britain would reach 152,186 units, a 9% increase from the previous year. The CPA expects British housing completions to continue to grow at a rate of 4% per annum for the period to 2018.

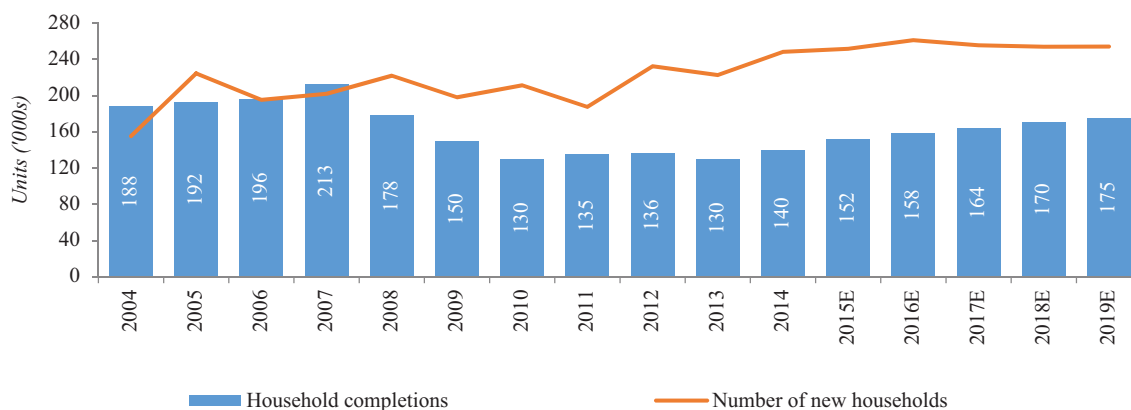
Chart 13: Cyclicality of the housing sector in Great Britain



Source: CPA Report (Winter 2015)

Based on data from the Department for Communities and Local Government and the CPA, the rate of housing completions in Great Britain was below the rate of household formations for many years prior to the financial crisis. In March 2004, the Barker Review of Housing Supply, commissioned by the UK Government, reported that the shortage of housing in the United Kingdom at that time was approximately 450,000 houses. As illustrated in chart 14 below, the number of housing completions in Great Britain broadly tracked the level of household formations from 2004 to 2007.

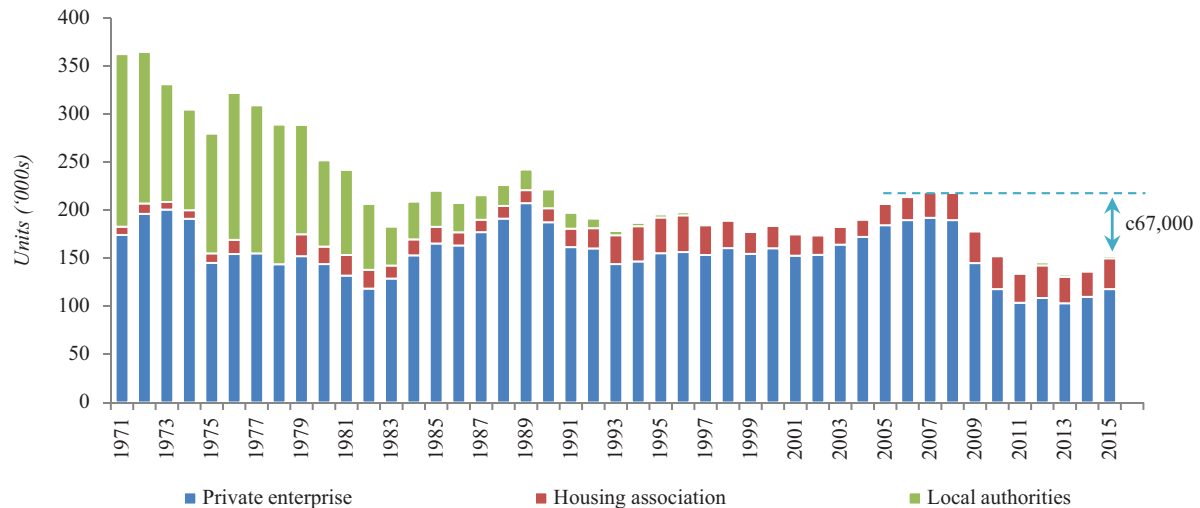
Chart 14: Great Britain household formations and completions



Source: CPA Report (Winter 2015), Department for Communities and Local Government

Between 2008 and 2013, housing supply had declined to historical low levels without a similar reduction in the number of household formations. Further, as the housing market began to recover in 2013 and 2014, household formations began to grow as well. In March 2014, the Home Builders Federation estimated that unmet need and demand for homes in the United Kingdom was over one million. With the housing completion rate expected to be lower than that of household formation over the next few years according to the CPA and the Department for Communities and Local Government, the Directors believe that there is a structural undersupply within the housing market in the United Kingdom. As demonstrated by chart 15 below, housing supply dropped significantly following the financial crisis. Despite the housing recovery over the last few years, housing supply in the United Kingdom in 2015 was approximately 67,000 units below the peaks in 2007 and 2008.

Chart 15: UK housing completion level



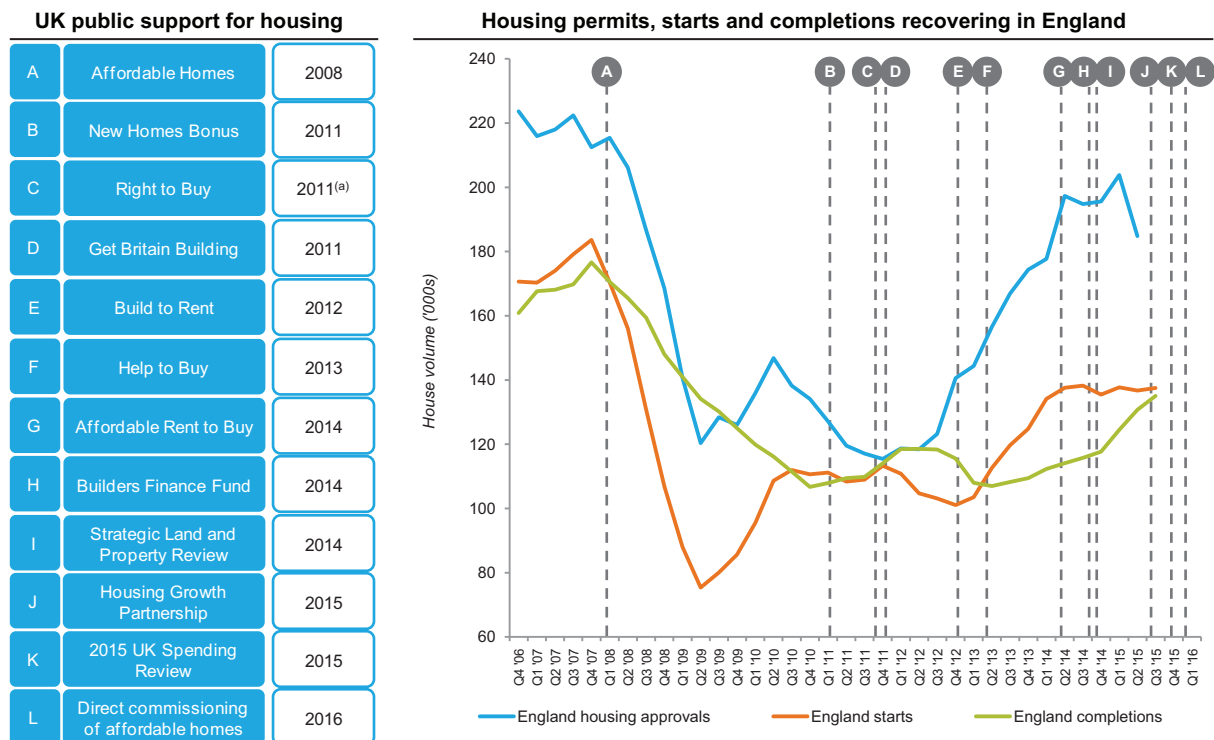
Source: Department for Communities and Local Government

Forecasted population growth will likely compound the structural undersupply of UK housing. In October 2015, the Office for National Statistics (“ONS”) projected that the UK population would increase by 9.7 million over the next 25 years. Given the forecasted population growth, as well as the existing unmet demand for UK housing and the inadequacy of existing UK housing stock, the Department for Communities and Local Government estimated that UK household formation levels will reach 250,000 to 260,000 per annum in the short- to medium-term, significantly above the housing completion rate forecasted.

UK Government housing initiatives

Further to the trends discussed above, the undersupply of UK housing has become a major socio-economic focus within the United Kingdom, with cross party support for policies designed to increase the housing supply and demand and increase ownership amongst first time buyers. The programmes implemented by the UK Government in the past few years are described below. As illustrated by chart 16 below, the number of housing approvals, starts and completions in England appear to have been directly affected by these initiatives.

Chart 16: UK Government initiatives



Source: Home Builders Federation, Department for Communities and Local Government, press releases

Right to Buy: Right to Buy was first launched in 1980, giving council housing residents a discount on the purchase of their council houses. In March 2013, the UK Government increased the maximum discount for tenants in London. At the same time, the UK Government committed to building a new home for affordable rent to replace each council residence sold to a council tenant. The Conservative Party committed to extend the Right to Buy programme in its 2015 manifesto and reinforced this in the May 2015 budget, with up to 1.3 million housing association tenants becoming eligible for discounts of up to 70% to buy their own homes.

Help to Buy: The Help to Buy programme was designed to encourage home ownership in the United Kingdom. The Help to Buy equity loan programme provides an opportunity for first time buyers of new build properties to put down a minimum 5% deposit on a home with the UK Government providing up to 20% of the purchase price (on a shared equity basis), all subject to certain qualifying criteria and a maximum purchase price of £600,000. Pursuant to the Help to Buy mortgage guarantee initiative, the UK Government provides a mortgage guarantee to commercial lenders for up to 15% of a property value, requiring only a 5% deposit from buyers under the programme. The scheme applies to both new and second hand properties with a maximum value of up to £600,000. In 2013, the UK Government committed £3.5 billion to the Help to Buy programme through to 2016. The 2014 budget increased funding to the programme by £6 billion and extended the programme until 2020. The UK Government introduced a Help to Buy ISA as part of the 2015 budget. In its November 2015 Spending Review, the UK Government extended the Help to Buy equity loan programme to 2021 and announced the introduction of the Help to Buy Shared Ownership programme which from April 2016 will lift the limits so that anyone who has a household income of less than £80,000 outside London, and less than £90,000 inside London, can buy a home through shared ownership.

London Help to Buy: The London Help to Buy programme was announced by the UK Government in its November 2015 Spending Review, and provides that people living in London with a 5% deposit will be able to get an interest-free loan worth up to 40% of the value of a newly-built home in order to acquire a property in London.

Starter Home Initiative: At the beginning of 2015, the UK Government launched its Starter Home Initiative that aims to help young first time buyers (below 40 years of age) purchase a home with a minimum 20% discount to the market price. The initiative has been implemented through changes to planning policy, allowing developers to use and develop commercial and industrial land that is either unusable or surplus to requirements.

In July 2015, the UK Government announced plans to accelerate the pace of house building growth between 2015 and 2020. The plans included steps to build discounted homes for first time buyers on all reasonable sized developments, unlock public land for hundreds of thousands of new homes and back small builders with planning changes. In October 2015, the UK Government introduced the New Housing and Planning Bill to Parliament. Mr. Brandon Lewis, the UK Housing Minister, commented that *“the Housing Bill will allow [the UK Government] to go even further by kick-starting a national crusade to get one million homes built by 2020. It truly is an historic moment that will help deliver the homes hard-working people rightly deserve, transforming generation rent into generation buy”*.

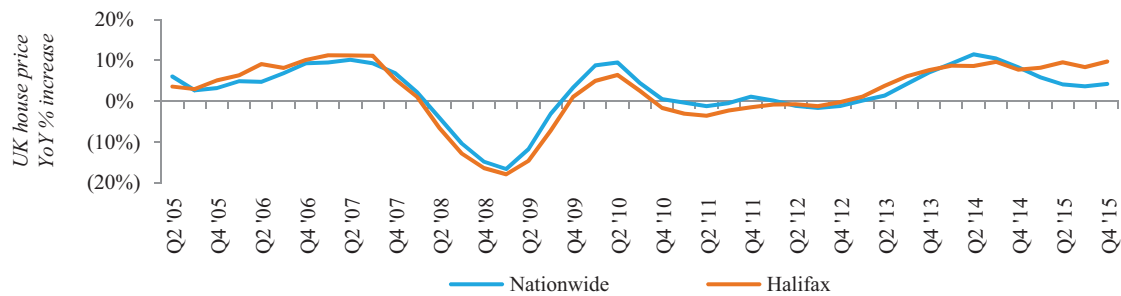
In its November 2015 Spending Review, the UK Government sought further to boost the UK housing market. Along with updates to the Help to Buy programmes described above, the UK Government announced that it would double the housing budget to over £2 billion per annum from 2018 to 2019 and that it would aim to build at least 400,000 affordable new homes by the end of 2020 to 2021, half of which would be provided pursuant to the Starter Home Initiative. The UK Government also announced that it would accelerate housing supply by reforming the UK planning system in order to release public land suitable for the construction of new homes more quickly. Other policy reforms were also introduced, such as extending loans for small builders and the regeneration of run-down estates. Mr. George Osborne, the Chancellor of the Exchequer, commented that the UK Government’s initiatives were *“the biggest house building programme by any government since the 1970s”*.

In January 2016, the UK Government announced plans to directly commission the building of homes on five sites in the United Kingdom. The Directors believe that this is one of the largest commissioning programmes since the Docklands’ regeneration, with an emphasis on supporting smaller builders and new market entrants. The plan also announced an additional £1.2 billion fund to be made available to build 30,000 affordable “starter homes” on under used brownfield land in the next five years, demonstrating the UK Government’s broader commitment to developing brownfield land.

Along with supportive UK Government policies and initiatives, the Directors believe that several favourable macroeconomic factors such as land availability, mortgage availability, and moderate house price inflation, as reflected in chart 17 below, continued to underpin growth in the UK housing sector. The number of mortgage

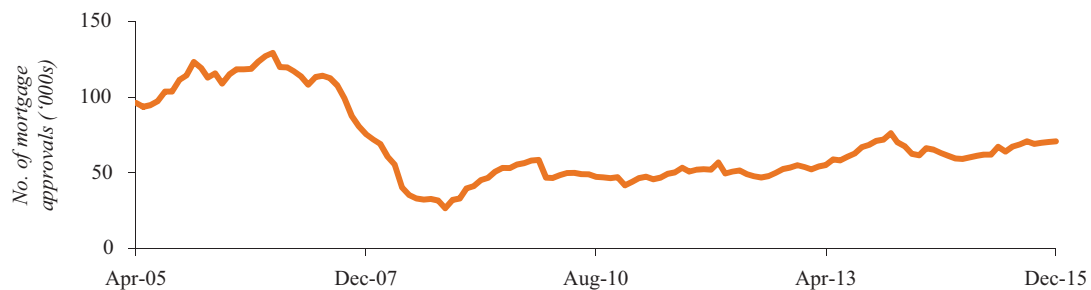
approvals has continued to increase since 2008. House prices reported by Nationwide and Halifax have shown an upward trend over the last two years. Additionally, as illustrated in chart 18 below, the seasonally adjusted value of housing approvals has started to rise steadily since the depths of the financial crisis and has significant room to grow before reaching pre-crisis levels.

Chart 17: House price inflation in the United Kingdom



Source: Nationwide, Halifax

Chart 18: Seasonally adjusted number of total sterling mortgage approvals for house purchase to individuals



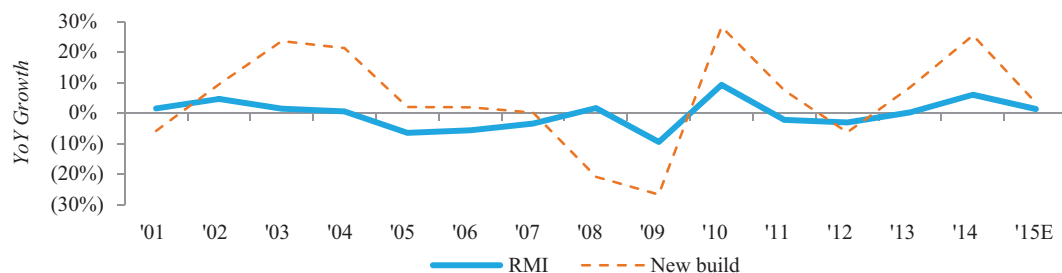
Source: Bank of England

Residential RMI market

The residential RMI market is defined as the marketplace for home repairs, maintenance and improvement. Within the residential RMI market, the Directors believe that the Group is predominantly exposed to the private housing sector, particularly through the sale of its Fletton bricks. According to the CPA, in 2015 approximately 70% (or £17 billion) of the £24 billion residential RMI market (calculated by economic output) in Great Britain related to private housing RMI.

The residential RMI market has historically been more resilient than the residential new build market, as reflected in chart 19 below.

Chart 19: Great Britain residential RMI market

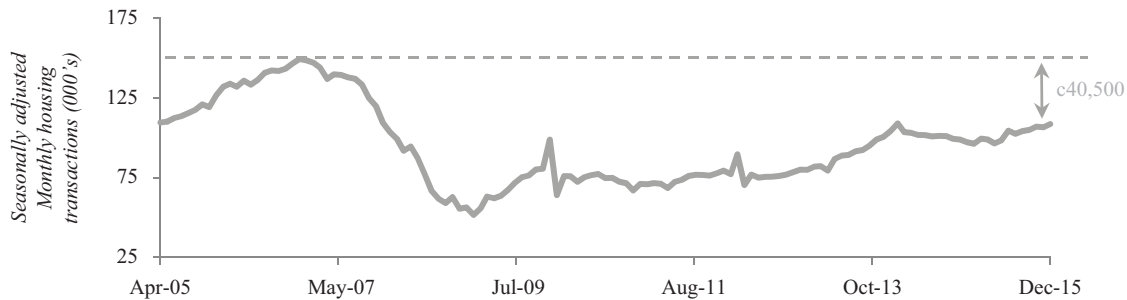


Source: CPA Report (Winter 2015)

The Directors believe that the level of residential RMI activity in Great Britain is driven primarily by property transactions, house prices, savings (used as a source of finance for improvements) and credit availability. The

number of housing transactions in the United Kingdom has steadily increased since the financial crisis, as illustrated by chart 20 below. However, seasonally adjusted monthly housing transaction levels as at 31 December 2015 were still approximately 40,500 lower compared to levels before the financial crisis. Following the Chancellor of the Exchequer's announcement of an increase in stamp duty land tax starting in April 2016 on buy-to-let properties, the CPA expected there may be a spike in housing transactions in the first quarter of 2016. Such increase in transactions may benefit overall RMI activities in 2016 and for a period of time thereafter.

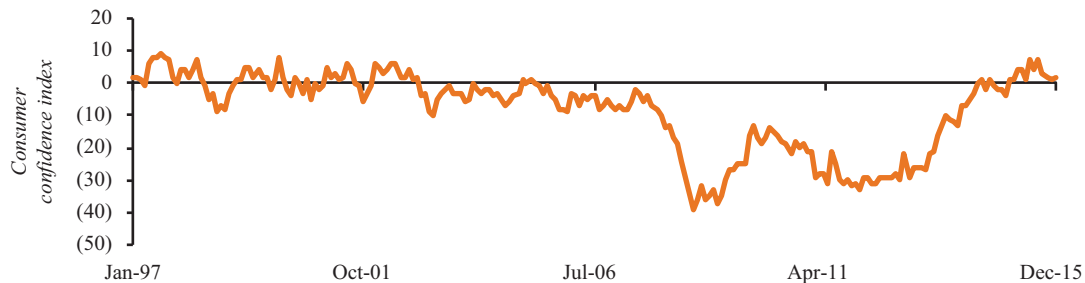
Chart 20: Recovery in housing transactions in the United Kingdom



Source: Department for Communities and Local Government

In addition, consumer confidence levels appear to have improved. As illustrated in chart 21 below, the consumer confidence index is more positive than that prevailing during and after the financial crisis. The trend suggests that UK consumers are now more confident about the overall economy and as a result are likely to be more willing to spend, potentially stimulating investment in home improvements and thereby increasing residential RMI demand.

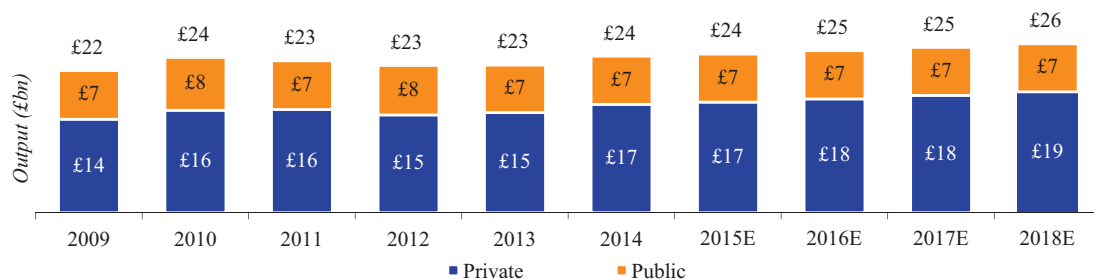
Chart 21: Consumer confidence has returned in the United Kingdom



Source: Gesellschaft für Konsumforschung (GfK)

As demonstrated by chart 22 below, the CPA forecasts that private housing RMI output in Great Britain will rise by 3% for the period 2016 to 2019, which the Directors believe represents the strength in the housing market, a recovery in housing transaction volumes and consumer confidence.

Chart 22: Great Britain residential RMI output

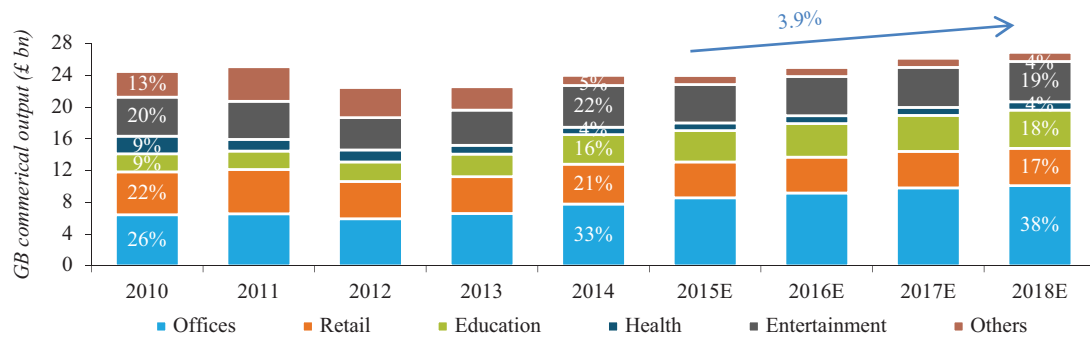


Source: CPA Report (Winter 2015)

5. COMMERCIAL MARKET

The CPA estimates that the commercial construction market in Great Britain was worth £24 billion in 2015. The Directors believe this market is set for growth in the short-term, buoyed by increasing activity levels in key sub-sectors of the commercial construction market, consisting primarily of offices, retail, entertainment, education and health. According to the CPA, the commercial construction market in Great Britain is expected to grow by 4% between 2015 and 2018. The Directors believe that this forecasted growth represents an early recovery trend in commercial construction, which has lagged behind residential construction growth following the economic downturn. The CPA projects that construction in the office and education sectors is expected to grow more rapidly, as reflected in chart 23 below. The Directors believe the growth in these areas will be driven by new office construction activities in cities such as Birmingham and Manchester and higher capital expenditure from privately-funded projects under private finance initiatives, respectively.

Chart 23: Commercial output development in Great Britain by sector



Source: CPA Report (Winter 2015)

PART 6 BUSINESS OF THE GROUP

Prospective investors should read this Part 6 (Business of the Group) of this Prospectus in conjunction with the more detailed information contained in this Prospectus, including the financial and other information contained in Part 9 (Operating and Financial Review) of this Prospectus. Unless otherwise stated, financial information in this Part 6 (Business of the Group) of this Prospectus has been extracted from Section B of Part 11 (Historical Financial Information) of this Prospectus.

1. OVERVIEW

Forterra is a UK leader in manufactured masonry products, with a unique combination of strong market positions in clay bricks and concrete blocks. The Group's manufactured masonry products are standardised and usually produced in high volumes. The Group's brick and block products are complemented by a well-rounded portfolio of bespoke construction products, which are primarily specified made-to-measure or customised products. The Group has industry recognised brands and its trusted range of clay and concrete products are used extensively within the construction industry.

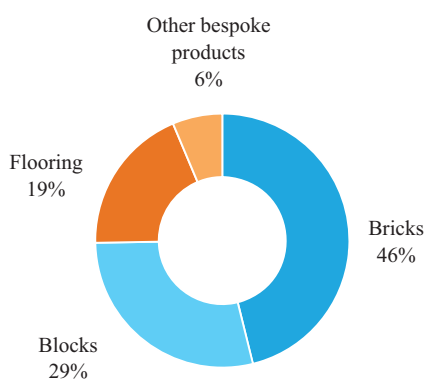
Bricks: the Group is the second largest manufacturer of bricks in Great Britain, with a market share of 29% calculated by annual production capacity of the Group and its key competitors. The Group is also the only manufacturer of the iconic and original Fletton brick sold under the London Brick® brand. The Group operates nine brick manufacturing facilities in the United Kingdom with a total production capacity of 570 million bricks per annum.

Blocks: the Group is the second largest manufacturer of aircrete blocks in Great Britain, with a market share of 35% calculated by annual production capacity of the Group and its key competitors. The Group also manufactures aggregate blocks, where the Group enjoys strong sales in the South East and East of England, with a market share in this region of 34% calculated by annual production capacity of the Group and its key competitors in that region. The Group operates four block manufacturing facilities in the United Kingdom, with a total annual production capacity of 825,000 m³ of aircrete blocks and 275,000 m³ of aggregate blocks.

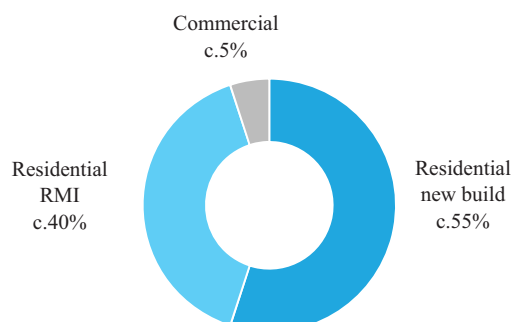
Bespoke Products: the Group's bespoke products range comprises precast concrete, concrete block paving, chimney and roofing solutions and structural external wall insulation, each of which is primarily specified made-to-measure or customised to meet the customer's specific needs. The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, including concrete block paving and chimney flues, are complemented by the Group's specification and design service. The bespoke products business operates from five manufacturing facilities in the United Kingdom.

In 2015, the Group generated revenue of £290.2 million, an increase of 8.3% from 2014, its adjusted EBITDA was £70.5 million, an increase of 29.1% from 2014, and its adjusted EBITDA margin was 24.3%. The charts below depict the Group's revenue in 2015 broken down by the Group's operating segments and the Directors' estimate of end markets:

Revenue by operating segment 2015¹



Revenue by end market 2015



¹ The Group's bespoke products operating segment has been divided between the Group's precast concrete flooring products and the Group's other bespoke products to illustrate the revenue generated by the Group's precast concrete flooring in the bespoke product operating segment.

2. KEY STRENGTHS

Leading UK manufactured masonry producer with strong positions across all core product categories

The Group is a UK leader in manufactured masonry products, being the only UK manufacturer with strong market positions and industry recognised brands in both clay bricks and concrete blocks. The Group:

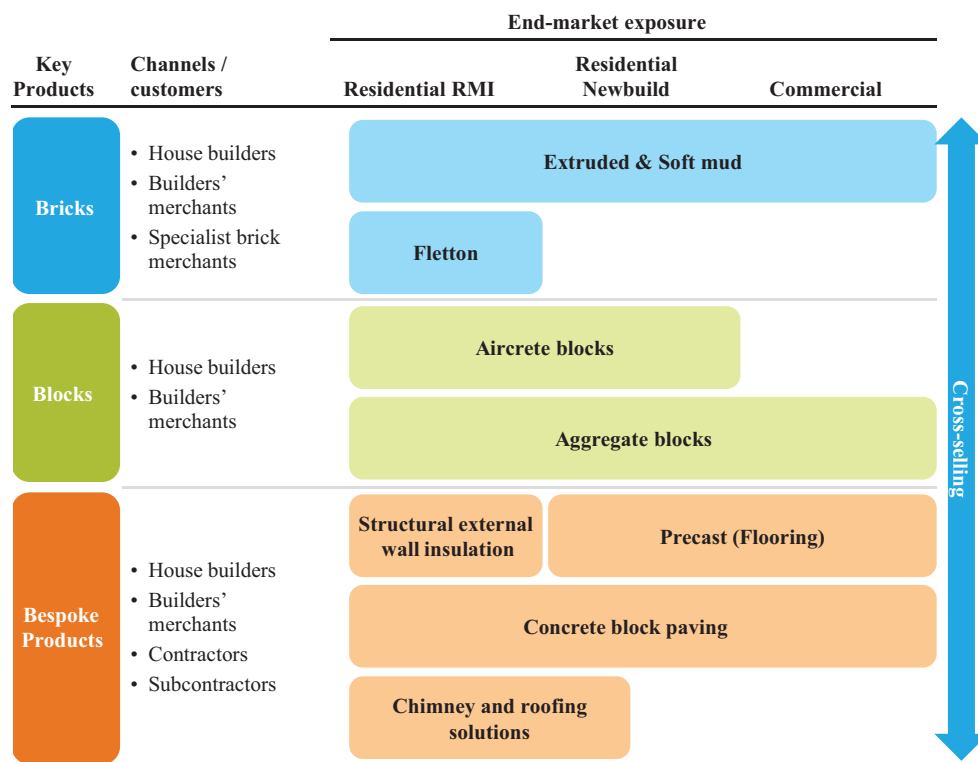
- offers the broadest range of manufactured masonry products in the United Kingdom among its key competitors;
- is Great Britain's second largest brick manufacturer by annual production capacity, with a market share of 29% calculated by annual production capacity of the Group and its key competitors;
- is the sole manufacturer of the iconic and original Fletton brick sold under the London Brick® brand which commands a premium price and is used almost exclusively in the residential RMI market, particularly in the South of England, having been used to construct approximately 23% of England's existing housing stock;
- is Great Britain's second largest aircrete block manufacturer by annual production capacity with a market share of 35% calculated by annual production capacity of the Group and its key competitors; and
- is the leading manufacturer of aggregate blocks by annual production capacity in the economically prosperous South East and East of England, with a market share of 34% calculated by annual production capacity of the Group and its key competitors in that region.

The Directors believe that the Group's leading market positions in both clay bricks and concrete blocks place it in a strong position to benefit from the attractive market fundamentals which the Directors expect to drive demand for construction products.

Broadest range of complementary manufactured masonry products generates operational and commercial benefits

As the only UK manufacturer with strong market positions in both clay bricks and concrete blocks and offering the broadest range of manufactured masonry products among its key competitors, the Group has significant opportunity to cross-sell its broad range of brick and block products and its well-rounded portfolio of bespoke construction products to both existing and new customers.

The Group's main customers are homebuilders, builders' merchants, specialised brick merchants, contractors and subcontractors which provide exposure to the Group's end markets, being residential new build and RMI and commercial construction, as illustrated by the diagram below. The Directors believe that there is significant opportunity for the Group to cross-sell its complementary range of products to different end markets through its customers, particularly through customers with which the Group has strong and long-standing relationships, which act as distribution channels to its end markets.



The Group's brick and block products are typically used in the construction of residential new build homes, with bricks being used as the outer skin and blocks (usually aircrete) as the inner skin of cavity walls. Internal, load-bearing walls are also made of blocks. The Group's range of bespoke products are also used in the construction of a new home, with precast concrete beams and blocks being used to construct floors, chimney and roofing solutions being used in the roof and chimney, and concrete block paving being used in the surrounding area.

As many of England's builders' merchants stock the Group's Fletton bricks, the Group is well positioned to cross-sell its other products to those builders' merchants and their end user customers. The Directors believe that the Group's exposure to a diversified range of end markets helps to insulate the Group from a fall in demand in any particular market segment.

The Directors believe that the Group derives significant synergies from its unique but complementary product offerings, creating benefits across the Group's value chain. The Group's bricks and other clay products are manufactured from clay and shale, the majority of which is sourced from the Group's own clay quarries. During the excavation of these materials at certain of the Group's quarries, such as Kings Dyke, the Group also excavates sand and gravel which the Group uses in the manufacture of its aggregate blocks. The Group recycles brick manufacturing waste at its Kings Dyke facility and aircrete block manufacturing waste from its Hams Hall and Newbury facilities for use in the manufacture of its aggregate blocks. The Group's block and other concrete products are manufactured using cement and the Directors believe that the Group benefits from procurement synergies by ordering large quantities at favourable prices. In its manufacturing operations, the Group also benefits from synergies created by its combined overhead and support functions.

The Group also derives significant synergies through being a "one stop shop" solution, selling and delivering its range of products to the same customers. Sales of the Group's bricks and blocks are handled by a single team and bricks and blocks are delivered by the Group's fleet of delivery vehicles or third party hauliers. Furthermore, the Group's fleet of delivery vehicles provides the Group with enhanced delivery flexibility, particularly during periods of high demand, enabling it to maintain its standards of customer service excellence.

Strong and long-standing customer relationships driven by excellent quality and service

The Group's ethos is to deliver both manufacturing and customer service excellence. The Group has a reputation among its customers for product quality and consistency and has industry recognisable brands and a trusted range of products which are used extensively within the construction industry in the United Kingdom. The Group has a number of significant long-term customers, a number of which have been customers for over 40 years.

The Group manufactures a wide range of brick and block products, which are available in a range of sizes and colours, providing its customers with a choice of product to accommodate planning and other requirements and which are critical elements to the construction of any residential new build home in the United Kingdom.

The Group considers the effective management of safety, health, environment, energy and quality to be of prime importance to the sustained success of its business. The Group takes an integrated approach towards all its business processes and has a single sustainability policy, which is regularly reviewed for continuing suitability and appropriateness. The Group is committed to complying with the highest quality management standards and certifications relevant to its products. Its independently certified quality management system ensures quality and reliability, from procurement of raw materials through to the manufacture and delivery of product.

The Group seeks to continually improve performance and customer service. It recently consolidated its bricks and blocks sales, customer service and distribution teams into a single service centre, allowing the Group to more effectively and efficiently respond to customer needs. Due to the custom nature of the Group's bespoke products, the Group maintains separate customer service teams and ordering facilities for this business segment. However, the bespoke products sales team works closely with the bricks and blocks sales team to ensure continuity of service. The Group's sales teams receive training and have in-depth knowledge of the Group's products. The Group has a strong track record of introducing innovative online tools, guides and apps to assist customers with the specification and selection of products. The Group has also recently increased its modern fleet of crane-equipped delivery vehicles from 95 to 125, providing it with greater distribution flexibility to serve its national customer base from its 13 brick and block manufacturing facilities.

The Directors believe the Group's customer relationships have been, and will continue to be, further strengthened by the Group's continued focus on the quality and reliability of its products, as well as its commitment to deliver excellent customer service.

Well-invested, efficient manufacturing asset base

Prior to the financial crisis, the Group decided to invest in larger and more efficient facilities. The Group heavily streamlined its manufacturing footprint following the financial crisis, with the closure of 22 older, smaller and less efficient facilities and closed but retained its brick sites at Swillington and Clockhouse. In 2009, the Group opened its £55 million state-of-the-art soft mud brick manufacturing facility at Measham, with an annual production capacity of 86 million bricks. The Measham facility is the largest, most modern and fully automated soft mud brick manufacturing facility in the United Kingdom, and also boasts a number of sustainability credentials. The Measham facility replaced the Group's three smaller, ageing and higher cost facilities at Measham in Derbyshire, Clockhouse in Surrey and Tilmanstone in Kent, which together had an aggregate annual production capacity of 97 million bricks. The Measham facility is fully automated, with only six production employees required per shift, and is meaningfully more efficient to operate than the previous three facilities, with the cost of brick production having been reduced by approximately 40%. As further described below, the Measham facility increased its production capacity to 105 million bricks per annum in January 2016. In 2008, the Group opened a new £9.1 million purpose-built aggregate block and concrete block paving manufacturing facility at Whittlesey, strategically located to supply the South East and East of England. The Whittlesey facility has an annual production capacity of 175,000 m³ aggregate blocks. Further details of these investment projects are set out in paragraph 9 of this Part 6 (*Business of the Group*) of this Prospectus.

More recently, from 2013, the Group invested in the installation of production monitoring equipment and introduced other key efficiency principles at each of its significant manufacturing facilities. These initiatives have made the Group's manufacturing facilities more efficient and allow the Group to measure performance consistently across its significant facilities, allowing benchmarking and sharing of best practices, which the Directors believe drives a culture of improvement in the business.

Through 2015 and early 2016, the Group initiated investment of £7.1 million in implementing efficiency initiatives at the Group's manufacturing facilities at Measham, Hams Hall, Accrington and Hoveringham, as further described in paragraph 9 of this Part 6 (*Business of the Group*) of this Prospectus. In addition to achieving cost savings, these initiatives increased the Group's annual brick production capacity by 19 million, to 570 million bricks, and increased the Group's annual aircrete block production capacity by 33,000 m³, to 825,000 m³. The Directors believe that the increases to the Group's brick and block production capacities, together with other operational cost savings of £0.6 million (assuming full output at the relevant facilities) which the Directors expect to be achieved by these initiatives, will meaningfully contribute towards the Group's profitability in 2016 and beyond.

The Directors therefore believe that the Group is well positioned to take advantage of the strong market fundamentals driving demand for brick and block construction products without the need to incur substantial additional capital investment in its manufacturing facilities in the short- to medium-term. The Directors also believe that the Group now has production scale advantages over its key competitors in the brick market.

Track record of increasing efficiency and achieving best-in-class cost leadership

The Group focuses on continuous efficiency improvement across its manufacturing operations and has a proven track record of achieving such efficiencies. As a result of closing smaller facilities and investing in larger, modern and more efficient facilities, as well as the implementation of other efficiency initiatives, the Group's average annual brick production capacity per facility increased between 2007 and 2015 from 53 million to 61 million, an increase of 15%, which the Directors estimate is 41% and 17% higher than the respective average annual brick production capacity per facility of two of the Group's key competitors. Increased average production capacity means that the Group is well placed to supply volume housebuilders. As a result of the closure of 22 of its facilities and the other efficiency initiatives described below, the Group's overall employee headcount reduced from approximately 2,800 in 2007 to 1,600 in 2015 and overall employee headcount in its brick manufacturing operations reduced from approximately 1,700 to 800 employees during the same period. As a consequence of the investments the Group has made, and the streamlining of manufacturing operations, the Group has significantly improved productivity, with the number of bricks produced per man hour increasing by approximately 80% since 2007.

Similarly, the Group is the second largest aircrete block producer in Great Britain, with an average annual aircrete block production capacity per facility in 2015 of 3.6 million m². The Group is also the largest aggregate block producer in the South East and East of England, with an average annual aggregate block production capacity per facility in 2015 of 1.4 million m², which the Directors estimate is 7% higher than the Group's nearest competitor.

In addition to restructuring its manufacturing facilities, the Group has also introduced other efficiency and cost-saving initiatives. The Group streamlined its product offering by reducing the number of products in its range in line with customer demand. This reduced production down time caused by switching production between products, whilst the Group has retained the option to increase its product range should customer demand change. Since 2013, the Group has also introduced production monitoring equipment at its significant manufacturing facilities, among other manufacturing optimisation and efficiency programmes and technology, which has reduced manufacturing downtime and increased utilisation capacity, operational productivity and product quality.

These and other efficiency initiatives have transformed the Group into a leaner, more efficient and more flexible manufacturer with significant financial benefits. In 2015, the Group's adjusted EBITDA margin was 24%, having increased from 10% in 2013.

Flexibility to respond rapidly to increased market demand in the future

Since the beginning of 2015, the Group has brought back into production previously mothballed capacity amounting to 50 million bricks per annum and invested to increase capacity at Measham by an additional 19 million bricks per annum. In addition, the Group has taken a decision to increase inventory levels to ensure its ability to meet its customers' requirements. The Directors believe that the attractive market fundamentals driving UK demand for construction products, the Group being the sole manufacturer of the Fletton brick and the high barriers to entry for new market entrants place the Group in a strong position to meet growth in demand for construction products in the United Kingdom.

In the short-term, the Group also has the potential to increase its annual extruded brick production capacity by an estimated 25 million bricks by investing approximately £9.0 million in making improvements to the gas supply, kilns or dryers at its facilities at Claughton, Desford and Accrington. The Directors believe that these small and low risk capital investment projects would increase the Group's annual brick production capacity to 595 million, an increase of 4% based on the Group's existing annual brick production capacity of 570 million. These projects include:

- replacing the dryer at the Group's Claughton facility, which the Directors estimate would cost approximately £3.0 million, would require 14 weeks of facility downtime and would increase the Group's annual brick production capacity by 5 million extruded bricks following an investment decision being made, which the Directors expect in 2016;

- upgrading the gas supply at the Group's Desford facility, which the Directors estimate would cost approximately £3.5 million, would require eight weeks of facility downtime and would increase the Group's annual brick production capacity by 10 million extruded bricks following an investment decision being made, which the Directors expect in 2016 or 2017; and
- extending the kiln buffer at the Group's Accrington facility, which the Directors estimate would cost approximately £2.5 million, would require two weeks of facility downtime and would increase the Group's annual brick production capacity by 10 million extruded bricks following an investment decision being made, which the Directors expect in 2017.

With substantial capital investment, the Group could further increase its brick production capacity in the medium to longer term by building or redeveloping its closed Swillington and Clockhouse sites into state-of-the-art manufacturing facilities.

The Swillington site near Leeds was formerly one of the Group's brick manufacturing facilities and was closed in 2008 and demolished in 2015. The Group has the requisite planning permissions in place to build a state-of-the-art, highly efficient and low cost extruded brick manufacturing facility at the Swillington site, as well as approximately 26 years of clay reserves (based on estimated brick production at the site) with potential for extension. The current estimated build cost at Swillington is £58 million and the facility would have an estimated production capacity of 100 million extruded bricks per annum (18% of the Group's existing total annual brick production capacity). In 2016, the Group intends to invest £0.5 million in preparatory design work at the site in order to reduce the overall facility construction time to two years if and when an investment decision is made. The Directors believe that the Group has production capacity and inventories sufficient to meet near term forecast market growth, therefore a decision to proceed with the development of Swillington is unlikely to be taken before the end of 2017 without a material and sustained increase in brick demand. The Directors believe that the new Swillington facility, once complete, would have similar operational efficiencies as the Group's soft mud brick facility at Measham, but would manufacture extruded bricks, and enable the Group to retain its position as the lowest cost producer of extruded bricks in the United Kingdom.

In the longer term, the Directors believe that the Group has potential to further increase its production capacity by redeveloping its former soft mud brick manufacturing facility at its site at Clockhouse in Surrey, which was closed in 2009. The Group has the requisite planning permissions in place to operate the existing brickworks at Clockhouse and, with appropriate permission variations, could redevelop the site into a modern, highly efficient and low cost soft mud brick manufacturing facility. The Directors estimate that the Group also has over 30 years of clay resources at Clockhouse, with planning permission for the extraction of approximately 18 years of clay reserves (in each case, based on estimated brick production at the site). The current estimated redevelopment cost at Clockhouse is £30 million and the facility would have an estimated production capacity of 45 million soft mud bricks per annum (8% of the Group's existing total annual brick production capacity), with the possibility of further extension. As at the Swillington site, the Group proposes to prepare the site for development and obtain the necessary permits in order to reduce the overall redevelopment time to two years if and when an investment decision is made. While this site represents a valuable strategic asset, an investment decision on the development of this facility is unlikely before 2020. The Directors believe that the new Clockhouse facility, once complete, would enable the Group to strengthen its offering in architectural clay bricks and provide it with the ability to compete with high-end imported bricks.

The Group also owns a wharf in Southampton which the Directors believe could be redeveloped in the future to enhance the Group's supply and distribution chain efficiencies.

Strong and experienced management team

The Group is led by a high-quality and experienced management team that collectively has nearly 200 years' experience in industry, including the UK building products industry and industries which utilise modern manufacturing techniques. The management team has experience of streamlining industrial businesses through the downturn. With a strong culture focused on manufacturing and customer service excellence, the Directors believe that the management team will successfully execute the Group's strategy going forward. The management team also leads an experienced and long-tenured workforce who has an in-depth knowledge of the Group and its values, products and processes.

Valuable long-term clay reserves

Clay is the core raw material in the production of the Group's bricks. Access to long-term clay reserves near suitable facility locations and necessary infrastructure is a strategic barrier to entry for others seeking to enter the

industry. The Directors estimate that the Group has in excess of 49 million tonnes of clay reserves across 12 quarries in the United Kingdom, 10 of which are located within approximately one mile of the Group's manufacturing facilities and potential future development sites, which the Directors estimate is equivalent to over 30 years of brick production based on the Group's existing brick production. In addition, the Directors estimate that the Group has a further 36 million tonnes of clay resources that do not currently have planning permission for extraction, which together with its planned clay reserves provides the Group with in excess of 85 million tonnes of clay resources which the Directors estimate is equivalent to over 55 years of brick production based on the Group's existing brick production. The Group also has access to the Fletton-specific Lower Oxford clay reserves, which are required for the production of Fletton bricks.

Leading margins and strong cash flows

With the benefit of its streamlined manufacturing facilities and as a result of the various efficiency and other initiatives described above, the Group has delivered strong financial results and generated leading margins and strong cash flows. As a result of growth in sales and price increases, predominantly across its brick and block product ranges, as well as capacity improvements at the Group's facilities, in 2015 the Group's revenue was £290.2 million, having increased by 8.3%, from £268.1 million in 2014, and by 18.7%, from £225.9 million in 2013. As a result of the Group's operational leverage and other factors described above, the Group's adjusted EBITDA was £70.5 million in 2015, having increased from £54.6 million in 2014 and from £22.3 million in 2013, an increase of 29.1% and 145.4%, respectively, year on year. Furthermore, as a result of the Group's disciplined capital investment, in 2015, the Group's adjusted EBITDA less capital expenditure was £58 million, having increased from £49 million in 2014 and £19 million in 2013, with a cash conversion of 82%, 90% and 84%, respectively. The Directors intend to utilise a proportion of the cash generated from the Group's operations to implement the Group's future strategy.

3. HISTORY OF THE GROUP

The Group was formerly Hanson's UK building products division, whose business dates back to the early 1960s. This business established a significant UK presence through a number of acquisitions, including The Butterley Company Ltd in 1968, London Brick PLC in 1984, Marshalls Flooring in 2002, Marshalls Clay Products Ltd and Thermalite Ltd in 2005, Red Bank Manufacturing Company Ltd and Formpave Holdings Ltd in 2006 and Strutherm Holdings Ltd in 2007.

In September 2007, Hanson was acquired by the HeidelbergCement Group and in March 2015 the HeidelbergCement Group sold the Group and Hanson's North American building products business to Lone Star. In October 2015, the Group rebranded under the name Forterra.

4. GROUP STRATEGY

The overall strategy of the Group is to capitalise on the attractive market fundamentals in the UK construction industry and to retain and grow market share in the short- to medium-term by utilising its existing, well-invested manufacturing facilities, available production capacity and available inventories. Over the medium-term, the Directors believe there are multiple levers to drive future growth. The Group intends to finance its strategy with cash from its operations, however the Directors will also consider further debt finance, equity offerings or issuing consideration in the form of equity.

The five pillars of Forterra's future strategy are:

Align capacity to market conditions

Forterra has identified a number of short-term opportunities to increase production capacity beyond the expansion at Measham. The immediate focus is on implementing low cost, high return projects which build on the Group's existing manufacturing assets, including those at Claughton, Desford and Accrington, which the Directors estimate would in aggregate increase the Group's annual brick production capacity by 25 million extruded bricks. The Directors believe that these incremental projects are expected to deliver high returns on investment and significant operational leverage with modest project risk. The Group will continue to explore further such low risk incremental opportunities to increase production capacity and improve operating efficiency.

In addition, the Group has two sizeable expansion opportunities at its sites at Swillington and Clockhouse. The Directors believe that the Group has production capacity and inventories sufficient to meet near term forecast

market growth and maintains a disciplined approach to capital investment, therefore a decision to proceed with the development of Swillington is unlikely to be taken before the end of 2017 without a material and sustained increase in brick demand. A decision to develop the site at Clockhouse is unlikely before 2020.

Pursue manufacturing excellence

The Group intends to build on its cost leadership through manufacturing facility optimisation programmes and further process technology investments. The Group adopts a continuous improvement approach and, notwithstanding the many improvements already made to the Group's manufacturing facilities, the Directors believe there are many further opportunities to enhance the efficiency and flexibility of the Group's manufacturing base.

Continue to focus on operational efficiency, health and safety and core sustainability values

The Group adopts a policy of continuous improvement in relation to key areas of operations, including product design optimisation to reduce resource usage, energy efficiency, recycling, supply chain management and enhanced procurement savings, and distribution and transportation optimisation.

The Directors believe there are multiple opportunities to further improve the Group's operational efficiency and cost leadership.

The Group considers the effective management of safety, health, environment, energy and quality to be of prime importance to the sustained success of its business and has rigorous health and safety, and sustainability policies. The Group is committed to safety in the workplace and improving safety performance, thereby reducing and eliminating accidents, injuries and other employee health concerns. The Directors believe that nothing should be of greater concern to the Group than ensuring that all its employees go home safe and healthy at the end of the day.

The Group will continue to set targets for the reduction of energy consumption and carbon emissions and will aim to reduce use of fossil fuels by energy efficiency and by seeking alternative and renewable energy sources. The Group will also strive for the prevention of pollution and the minimisation of environmental harm, using resources appropriately and sustainably and, where appropriate, substitute primary resources with alternative materials.

The Group is committed to the principles of environmental stewardship and seeks to apply these throughout its operations and supply chain. It will continue to manage and restore sites to ensure land remains of value in its local environment, protecting and enhancing biodiversity and safeguarding geodiversity where appropriate.

The Group will aim to continue to incorporate high standards of safety, health, environment, quality, energy management and responsible sourcing in all of its business processes.

Product and service innovation and enhancement

The Group actively works to anticipate developing customer needs and has a successful history of introducing innovative new products and services. The Group has a dedicated design and development team and a new product testing laboratory at Measham.

Recent product introductions include prefabricated walling, flood defence systems and the ThermaPave renewable ground source energy system. Forterra is also exploring partnering with customers to investigate further offsite and prefabricated masonry opportunities.

The Group continually looks to improve its customer service proposition. The Group operates a fleet of 125 delivery vehicles which optimises its ability to safely deliver products to customers when and where they are needed. The Group also has one of the broadest manufactured masonry product ranges among its key competitors, enabling the Group to cross-sell multiple manufactured masonry products and solutions to individual customers, to the mutual benefit of everyone involved.

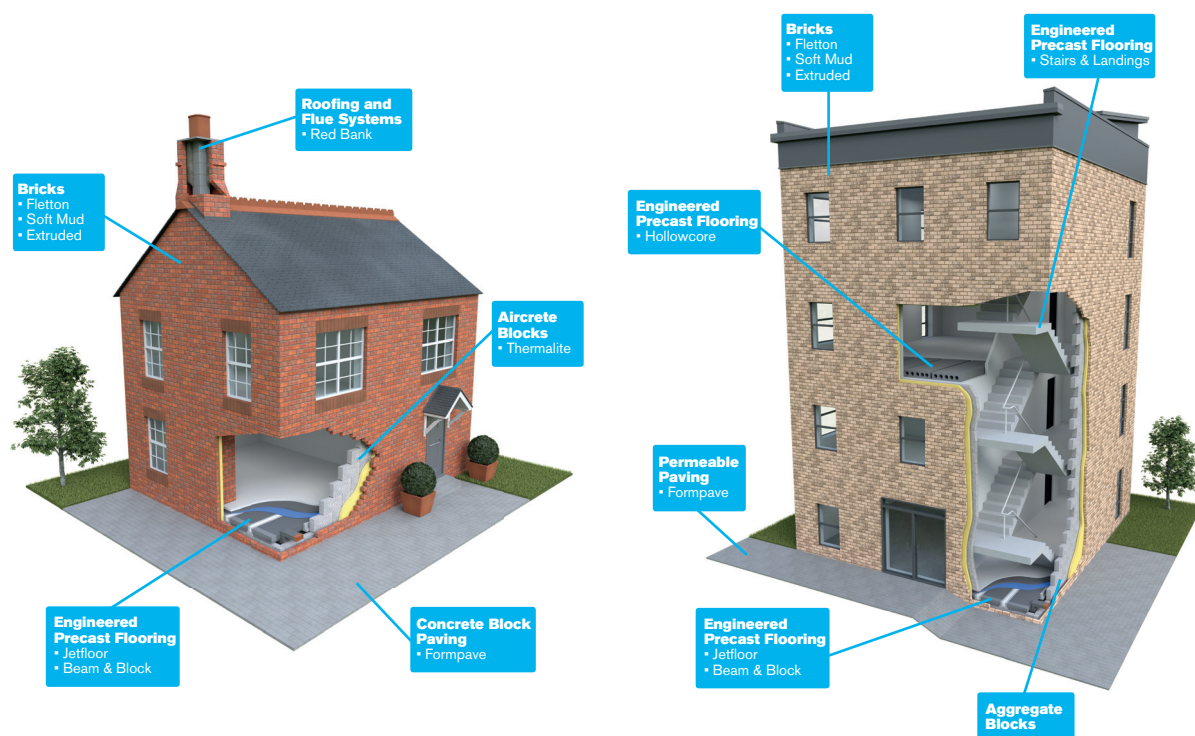
Product range enhancement

The Group derives significant operational and commercial benefits from offering its customers a range of complementary building products. Over time, the Company will look at selective additions, either organic or

external, to further extend the Company's range of products. The Company will particularly look at products addressing the residential new build or RMI construction markets, those which would allow the Group to leverage its existing relationships or distribution channels, or which enable the Group to consolidate fragmented product markets.

5. PRODUCTS, BRANDS AND MARKETS

The Group's broad range of complementary products share routes to markets and have comparable end use and customer profiles. The following diagrams show examples of some of the Group's products which might be used in the construction of new build housing (save for the Fletton brick which is used in residential RMI only).



Bricks and Blocks

Bricks – Products

The Group manufactures three types of clay facing bricks: Fletton bricks, soft mud bricks and extruded bricks. The Group's bricks are sold through a range of brands primarily for use in residential building construction, both in the new build and RMI markets, and to a lesser extent for commercial buildings.

Fletton bricks

The Group is the sole manufacturer of the iconic and original Fletton brick sold under the London Brick® brand, which is manufactured by press moulding high carbon content Lower Oxford clay. The Directors believe that due to the unique characteristics and relatively high cost of production of the Fletton brick, these bricks command a premium price of 60% to 80% over the national average standard brick. Sales of the Group's Fletton bricks remained resilient throughout the economic downturn. The Fletton brick is instantly recognisable and although the appearance of the brick once installed in a wall may be replicated, the overall appearance of the brick is not easily copied. The Group owns the London Brick® and Fletton trademarks and has access to the Fletton-specific Lower Oxford clay reserves. It also has bespoke manufacturing equipment which is manufactured and maintained at the Group's own workshops and has the unique technical knowledge and skilled workforce required to manufacture these unique bricks.

The Fletton brick dates back over 130 years and was used to construct over 5 million homes in England, representing approximately 23% of England's existing housing stock and Fletton bricks today are predominantly used in the residential RMI market in the United Kingdom. The manufacturing process is very labour intensive and does not lend itself to modern brick handling and firing technology. As a result, Fletton bricks have a relatively high cost of production. Consequently, the Fletton brick is now rarely used for new build residential construction, however, it is widely used for RMI work in properties originally built with Fletton bricks and to construct matching additions and extensions for such buildings. Homeowners are therefore unlikely to use substitutes for such work and Fletton bricks are often preferred by planners. The Directors estimate that approximately 2,700 Fletton bricks are required to build an average sized matching house extension.

The Group's Kings Dyke facility in Cambridgeshire has an annual production capacity of 130 million Fletton bricks, catering to existing homes in England built with Fletton bricks. The facility is ideally positioned to service central and southern England where the Group generates the majority of its revenue from the sale of its Fletton bricks.

Fletton bricks are available in various sizes, textures and colours, from a classic rustic brick, symbolic of the housing boom in the second half of the 20th century, through to yellows and buffs, such as saxon gold and honey buff. Many English builders' merchants hold inventory of Fletton bricks and, as the sole producer of Fletton bricks, the Group is able to take advantage of its relationship with those customers to cross-sell its other product ranges.

Soft mud bricks

Soft mud bricks are manufactured by placing a mix of clay and water into individual moulds before being turned out and then dried and fired in a kiln. Although manufactured by modern machinery which is estimated can manufacture on average approximately 20,000 bricks per hour, soft mud bricks retain the look of hand-moulded bricks and sell at a premium price compared to extruded bricks. The Group's soft mud bricks are primarily sold in the South of England.

The Group's ecostock® soft mud brick range is manufactured at the state-of-the-art Measham facility. The ecostock® brick range is the most environmentally friendly soft mud brick range in the United Kingdom. The Group uses the latest technology in sustainability and production efficiency to produce stock bricks with the lowest embodied CO₂.

Precise batching, blending and mixing techniques coupled with greater temperature control ensure consistent colour, dimensional accuracy and high product quality. Ecostock® bricks are available with a pressed or thrown finish, as illustrated below, in a range of colours and sizes and are suitable for all domestic and commercial applications.



Pressed

A smooth sandfaced finish, consistent and uniform in character.

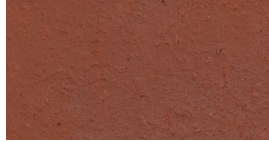


Thrown

A slightly irregular shape with a creased texture, replicating the appearance of hand-made bricks.

Extruded bricks

Extruded bricks are the most widely used brick type in residential new build construction. To make an extruded brick, clay is continuously extruded to a required size and shape and then cut into individual bricks by means of a wire. The manufacturing process is highly automated. Extruded bricks are used in all regions of the United Kingdom. The Group's extruded brick manufacturing facilities (excluding the Cradley facility) have a combined annual production capacity of 334 million extruded bricks. The Group's wirecut extruded bricks are available in a range of colours and textures offering customers a brick to suit a range of styles, from classic to contemporary.



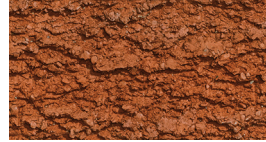
Smooth

Smooth finish or smooth sandfaced finish which is consistent with uniform character



Light textured

Modern and uniform, with an indented or printed finish



Heavy textured

A harder and rougher texture for a more rustic brick with a consistent finish



Tumbled

Distressed and irregular in shape, offering a traditional charm associated with reclaimed bricks

The Group's extruded bricks contribute to thermal mass and are resistant to frost and their sustainability credentials are enhanced by their long life performance, low maintenance and high recycled content.

The Group also manufactures the following specialist types of extruded bricks:

Special shaped bricks: the Group produces one of the broadest ranges of British standard brick specials in the United Kingdom which are sold under the Cradley® brand, covering over 400 types, as well as an extensive choice of bespoke special shaped bricks for specific applications such as restoration and renovation bricks, utility and architectural bricks, air bricks and glazed bricks.

The Group's special shaped bricks are handmade at its Cradley facility, where the Group's skilled craftsmen can reproduce bricks to various designs, shapes and sizes, using original products, drawings or photographs, to create unique brickwork features and detailing and allowing accurate reproduction of historic brickwork.



A selection of the Group's British standard brick specials are set out below:



The Group's bespoke special shaped bricks include:



Copings and cappings

Slips and spacing bricks

Prefabricated arches

Cut and bond bricks

Date and name bricks

Cill and scroll bricks

Large format pier caps

Eco habitat for bats and swifts

Modular bricks and blocks: the Group's Dimensions® range of modular sized bricks and large format bricks provides the opportunity to create contemporary facades using traditional building techniques. The products provide a distinctive, aesthetic appeal and are characterised by the highest standards of uniformity, quality and durability.

The bricks are available in a range of sizes and colours, with a range of fittings and specials to complement the range, and offer a sustainable construction solution for a diverse range of projects including educational, healthcare, commercial and civic buildings. A selection of the Group's modular bricks is set out below.



Modular bricks



Restoration bricks



Restoration bricks: the Group produces a range of products suitable for renovation and restoration projects, including special shaped bricks and a selection of imperial sized bricks, as illustrated above. These are often used in the redevelopment of historic buildings and enable new build applications to complement their surroundings. From traditional Victorian architecture, to conservation areas, the Group supplies high quality facing and special shaped bricks supported by an expert design team.

Walling and cladding systems: the Group has developed a range of innovative walling systems that allow homebuilders and developers to benefit from quicker build times and consistently high quality workmanship. The Group's brick walling and cladding systems include:

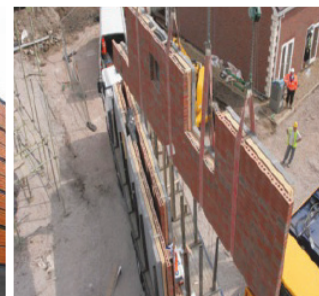
- Wonderwall®, a lightweight cladding system that combines the advantages of modern construction techniques with the appeal of traditional brickwork. Installation is quick and easy and high insulation values can be achieved. Wonderwall can be used for cladding on masonry, dense concrete, modular units, timber or metal frames, either on existing or new build structures;
- LockClad, a ventilated rain screen and decorative external terracotta façade which is suitable for most types of construction, including concrete, timber and steel framed buildings and can accommodate curves, corners, angles, windows and door openings, allowing design flexibility. The system uses frost-proof English clay and allows the insulation to be located on the outer face of the building, reducing the risk of thermal bridging and condensation issues; and
- prefabricated masonry walling systems using high performance bonding mortar to create innovative, factory fabricated masonry panels. These can be manufactured as a single skin wall construction in clay brick, aircrete blocks or aggregate blocks. The panels can be manufactured with openings for doors and windows as required and use off-site construction techniques, which means they are quick and easy to install, saving time and money on-site, as well as minimising disruption to the local environment.



Wonderwall



LockClad



Prefabricated masonry walling

Bricks – Customers

In 2015, the Group generated revenue of £134.6 million from the sale of its bricks to the residential new build, residential RMI and commercial construction markets in the United Kingdom, accounting for 46.4% of its total revenue during the same period. The Group's main brick customers are homebuilders, builders' merchants and specialised brick merchants who provide exposure to the Group's end markets, being residential new build and RMI and commercial construction.

Bricks – Competitors

The market for bricks in the United Kingdom is highly consolidated and it is estimated that three manufacturers, namely Forterra, Ibstock and Wienerberger, accounted for 90% of Great Britain's brick production in 2015. In 2015, the Group had an estimated market share of 29% calculated by annual production capacity of the Group and its key competitors (namely, Ibstock, Michelmersh and Wienerberger). The Group also competes to a lesser extent with a number of smaller manufacturers and with imports from continental Europe. The Directors believe that the primary means of competition are product quality, aesthetics and availability. The Group's bricks also compete with other materials that can be used for the cladding of a house or commercial building such as wood, render, natural stone and glass.

Bricks – Testing and Innovation

The Group's design and development team is continually working to enhance and improve the Group's brick products and to develop new products that will complement the Group's existing product range. The Group has a testing laboratory at its Measham facility.

Blocks – Products

Aircrete blocks

Aircrete blocks are a lightweight concrete product manufactured primarily from PFA, cement and lime, which the Group sells under its Thermalite® brand, one of the principal aircrete brands manufactured and sold in Great Britain. Aircrete blocks simultaneously provide structure, insulation and resistance to fire and mould. Aircrete blocks do not contain aggregates. Due to their structure, aircrete blocks can easily be cut on site using standard tools.

The Group's aircrete blocks are a cost-effective solution for wall, floor and below-ground construction. They contain up to 80% recycled content, offer high thermal and sound insulation, good compressive strength, lightness of handling and are moisture resistant. Their inherent thermal mass makes U-value targets easier to achieve and can also help reduce CO₂ emissions during a building's life.

The Group also produces trenchblocks which are a thermal building block for solid foundation walls which are commonly used in high sulphate bearing soils. Thermalite Trenchblock® is simple to lay, with "interlocking" tongue and groove joints at each end, easy to transport and does not require mortar on the "perp" ends, saving time and labour spent mixing, moving and applying mortar.



The Group's facilities at Newbury and Hams Hall have a combined estimated production capacity of 825,000 m³ of aircrete blocks per annum. The Group's aircrete blocks are primarily used in residential new build construction and RMI work.

Aggregate blocks

The Group manufactures aggregate blocks at its Milton and Whittlesey facilities, with a combined estimated annual production capacity of 275,000 m³. Aggregate blocks are manufactured from aggregates, cement, ground granulated blast furnace slag and water.

Aggregate blocks are used for structural elements in residential and commercial construction. They are often used in commercial construction such as underground lift shafts, multi-storey car parks and basements, due to the robust nature of the product or when high compressive strengths are required due to loading. Aggregate blocks are also used to construct schools and cinemas due to their acoustic requirements. Aggregate blocks are often used in apartment blocks due to their relative strength. Aggregate blocks are also used for retaining and separating walls in residential construction. The Group's aggregate blocks are available in a variety of densities, strengths, sizes and configurations to suit a variety of applications.



All of the Group's aggregate blocks contain ground granulated blast furnace slag, a ground granulated blast furnace slag, which is a by-product of the steel-making industry and is used as a cement replacement. The use of Regen instead of cement reduces the embodied CO₂ of the Group's aggregate blocks by up to 30%, adding to their sustainability credentials.

Blocks – Customers

In the year ended 31 December 2015, the Group generated revenue of £83.4 million from the sale of its blocks to the residential new build, residential RMI and commercial construction markets in the United Kingdom, accounting for 28.8% of its total revenue during the same period. The Group's main block customers are builders' merchants who provide exposure to the Group's end markets, being residential new build and RMI and commercial construction.

Blocks – Competitors

The Group is one of the largest manufacturers of aircrete blocks in Great Britain based on production capacity. The market for aircrete blocks in Great Britain is highly consolidated, with three companies, namely Forterra, H+H and Tarmac, accounting for 96% of annual aircrete block production capacity in Great Britain in 2015, with the Group having an estimated market share of 35% calculated by annual production capacity of the Group and its key competitors (namely, H+H, Tarmac and Thomas Armstrong). The Directors believe that the market for aircrete blocks in Great Britain is currently running at an utilisation capacity of 95%. Aircrete blocks also compete with aggregate blocks and timber-frame construction.

The aggregate block market is fragmented on a national level but consolidated in the South East and East of England where the Group primarily competes with three other companies, namely CEMEX, Lignacite and Tarmac. The Group, CEMEX, Lignacite and Tarmac accounted for 95% of annual aggregate block production capacity in the South East and East of England in 2015. The Group was one of the largest manufacturers of aggregate blocks in the South East and East of England in 2015 based on annual production capacity of the Group and its key competitors (namely, CEMEX, Lignacite and Tarmac), with a market share in this region of 34%. The Directors believe that the market for aggregate blocks in the South East and East of England is currently running at an utilisation capacity of 85%. The Directors believe that the primary means of competition are proximity to end markets, price and quality and availability of products.

Bespoke Products – Products

Precast concrete

The Group manufactures engineered concrete structural flooring and stair solutions for all floor levels, across all markets in all building types, complemented by a nationwide design and installation service.

The Group's precast concrete products are manufactured at its Hoveringham and Somercotes facilities and include:

- hollowcore floors, which are used for upper floors of multi-family and commercial developments and provide long-term, robust solutions for masonry, concrete or steel structures at all levels;
- beam and block flooring, a traditional and cost effective suspended flooring system for ground floors in domestic and commercial applications. The system is quick and easy to install and is made using pre-stressed, inverted T beams infilled with standard building blocks;
- Jetfloor®, which is the United Kingdom's first system to use expanded polystyrene blocks combined with a structural concrete topping to provide high levels of thermal insulation. Jetfloor® also incorporates the Group's unique Psi Block®, which reduces thermal linear bridging and improves the Psi value at floor and wall junctions, helping to reduce the overall dwelling heat emission rate. Jetfloor was voted Best Building Fabric at the Housebuilder Product Awards 2015;
- a range of retaining walls, culverts, bridge decks, barriers and other custom-made products. 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

The logo for JETFLOOR, featuring the word "JETFLOOR" in a bold, sans-serif font. The "JET" is in a light green color, and "FLOOR" is in white. The text is set against a dark grey rectangular background with a thin yellow border.

- standard and custom-made precast concrete staircases and landings which are suitable for both commercial and domestic projects.



Hollowcore floors Jetfloor®

Beam and block flooring

Retaining walls, culverts, bridge decks and barriers

Standard and bespoke precast concrete staircases and landings

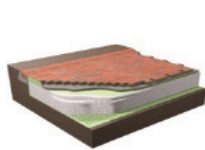
Concrete block paving

The Group manufactures a range of concrete block paving products which can be used in the Group's patented sustainable urban drainage system. The Group designed the United Kingdom'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"). The Group sells concrete block paving and designs and specifies the other aspects of the drainage system to allow surface water to run-through in a controlled way. The Group manufactures its concrete block paving products at its Coleford facility and sells the product under the Formpave® brand.



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 that allows water to be collected and released into watercourses, which is sold together with the Group's permeable block paving for use by a customer to create such systems. Alternatively, it can be used in conjunction with a rain water harvesting system which greatly reduces mains water consumption;
- permeable block paving, a cost effective and sustainable solution to traditional hard landscaping and urban drainage installation which allows drainage through vertical channels at a rate of approximately 9,000 litres per m² per hour;
- a wide range of high quality precast concrete block paving to suit all projects from commercial to domestic applications. The Group offers 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.



Aquaflow SuDS



Permeable block paving



Concrete block paving



Kerbs, edging, step systems and transitions

Chimney and roofing solutions

The Group, under its Red Bank® brand, produces a comprehensive range of chimney, roofing and flue systems. Products include fire-backs, clay and concrete flue liners, chimney pots and ridge tiles.

RED BANK

The Group manufactures one of the largest ranges of masonry chimney products suitable for all domestic fuels. Building regulations in the United Kingdom require a reduction in carbon emissions and significant savings can be achieved by installing a chimney and flue system that uses a renewable fuel such as wood or wood pellets. The Group's range of concrete liners have been developed to meet the growing demand for flue products to suit modern efficient wood-burning, multi-fuel and gas-fired appliances and more stringent environmental requirements.

The Red Bank® range of Rediflow precast concrete gas flue systems are manufactured with an innovative tongue and groove design to help eliminate the possibility of escaping flue condensates and to ensure the safe discharge of flue gases.



Ridge tiles

Concrete flue liners

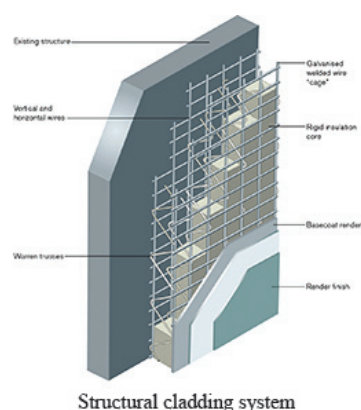
Air bricks

Clay chimney pot

The Group manufactures its chimney and roofing solutions at a separate factory at its site at Measham.

Structural external wall insulation

The Group, through Structherm, manufactures structural external wall insulation (“SEWI”) solutions for residential buildings. The unique Structherm® SEWI system is a cost effective method of extending the life of non-traditional defective properties, both low rise and high rise, and can also be used to replace or upgrade defective or inefficient cladding on older residential buildings in order to improve insulation and provide additional structural support. It provides a rigid, structurally continuous envelope around the building with a render finish and is a real alternative to demolition. The construction of the unique panels used in the system is based on a core of rigid insulation set within a steel cage. The panels are immensely strong and rigid, yet lightweight and can be installed vertically or horizontally.



Structural cladding system



Thin coat wall insulation system



Thick coat wall insulation system



Bespoke Products – Customers

In 2015, the Group generated revenue of £73.7 million from the sale of its bespoke products to the residential new build, residential RMI and commercial construction markets in the United Kingdom, accounting for 25.4% of the Group's total revenue during the same period. The main customers of the Group's bespoke products are homebuilders, builders' merchants, contractors and subcontractors who provide exposure to the Group's end markets, being residential new build and RMI and commercial construction.

Bespoke Products – Competitors

The Group's bespoke products business operates within fragmented markets with relatively low barriers to entry. The Group's structural wall insulation has no direct competitors although different solutions are available.

Precast concrete: the Group is one of the main players in the United Kingdom precast concrete market. The Directors estimate that the Group is the second largest producer of beam and block flooring in the United Kingdom, with a market share of 18% (by production capacity) and the third largest producer of hollowcore flooring, with a market share of 9% (by production capacity). Its main competitors in beam and block flooring are Rackman Housefloors, Longley, CEMEX and Litecast and its main competitors in hollowcore flooring are Bison Manufacturing, Creagh Concrete Products, FP McCann and Milbank.

Concrete block paving: the Group's main competitors within the block paving market in the United Kingdom are Marshalls plc, Aggregate Industries (part of LafargeHolcim) and Brett.

Chimney and roofing solutions: the Group's main competitors within the chimney and roofing market in the United Kingdom are Braas Monier and Wienerberger, although the Group manufactures a broad range of chimney and roofing solutions and therefore has a broad range of competitors.

Bespoke Products – Innovation

Precast concrete – New Jetfloor

The Group continues to work on improvements to the insulated ground floor system for homes in order to increase thermal performance and improve buildability on site. The Group has introduced “New Jetfloor” which embodies many improvements on the original product and has been well received by customers. The Group's Jetfloor® development team works with colleagues in the Group's other product lines and production teams to enhance the speed of build and design flexibility of the Jetfloor® product and enhance its marketability.

Precast concrete – First floor in Houses

The Group is working with its customers to develop a precast concrete alternative to engineered timber used in residential homes. The Group has already trialled one approach, which involved utilising an existing product, and it is currently working on variations to standard products which have the potential to become new products in their own right.

Formpave® – Aquaflow Thermapave

The Formpave Aquaflow SuDS allows heavy rain to infiltrate through a concrete block paved surface into a sub-base for collection in a tank. When combined with flexible piping, laid in the sub-base, connected to a ground source heat pump, this provides energy for heating, cooling and domestic hot water. The system combines the technology of the permeable pavement with geothermal technology by use of a patented sub-base and ground source heat pump. It works by utilising the voided sub-base of the Formpave® Aquaflow system to generate sufficient energy to allow the transfer of heat into and out of buildings during cold and hot periods, respectively.

6. CUSTOMERS

The Group's products have a broad customer base, comprising builders' merchants, residential homebuilders, specialist brick merchants, contractors and subcontractors. The Group's customers are not necessarily the end users of the Group's products, and the Group's end market exposure can be divided between the residential new build, residential RMI and commercial construction markets.

The sale of the Group's bricks and blocks generated £218.0 million of revenue in the 2015, accounting for 75.1% of the Group's total revenue for the year (before intersegment eliminations). The sale of the Group's bespoke products generated £73.7 million of revenue in 2015, accounting for 25.4% of the Group's revenue for the year (before intersegment eliminations). The Directors estimate that in 2015 approximately 55% of the Group's revenue was generated from the UK residential new build construction market, 40% was generated from the UK residential RMI construction market (primarily driven by the sale of Fletton bricks) and 5% was generated from the UK commercial construction market.

The Group has a loyal customer base with a number of long-term customers, some of which have been customers of the Group for over 40 years. The Group's top two customers together accounted for 29.2% of the revenue generated by the Group in 2015, both of which are builders' merchants and so represent a distribution channel to many other end customers. In particular, as the end customer's product of choice in RMI projects of Fletton-clad buildings, many builders' merchants will typically stock the Group's Fletton brick to satisfy customer needs and

the Fletton brick has therefore become a premium priced product. As is typical in the industry, the Group does not have long-term contractual commitments with its key customers and therefore the Group depends on its key strengths and strong brand reputation for repeat orders. The Directors believe that the Group's strong customer relationships and ability to service a diverse range of residential property developers and builders' merchants are key to its success. The Directors believe its customers value the Group's brands for the extensive end user demand they command, as well as for the breadth and reliability of the Group's products. Consequently, the Group is focused on acquiring new customers, either by pitching to prospective customers identified by the Group's management team, through cross selling opportunities or otherwise, or to those introduced to the Group through one of the Group's distributors, such as the large or specialist builders' merchants.

Many of the Group's customers have individually negotiated rebate arrangements, which are typically agreed annually. However, some rebate arrangements are made with groups of smaller customers who have formed buying consortiums. Rebates are typically based on a range of revenue or volume thresholds. The applicable percentage rebate applied to the customer's turnover is based on the threshold that is met, such that once a certain turnover figure is reached, the rebate is calculated based on the applicable percentage applied to total turnover in that year. Rebates provided by the Group in respect of its aircrete blocks and chimney and roofing solutions are typically higher than with respect to bricks, aggregate blocks, and other bespoke products reflecting market practice, with the higher aircrete rebates only applying to direct to merchants' yard sales. Typically, the list price is higher for these products, which is then offset by a higher rebate. This approach enables builders' merchants to maintain margin when negotiating sale prices with end users. Some of the Group's customers do have non-standard rebates which are essentially a form of discount, such as a contribution to the marketing spend of a builders' merchant to market the Group's products. The Group also has formal framework agreements in place with most of its customers that underpin any rebate arrangements with the customer, but contain no binding commitments to supply or purchase.

7. PRODUCT QUALITY

The Group ensures quality and reliability of product through its quality management system which covers the Group's entire manufacturing and supply process, from the procurement of raw materials, to the manufacture of its products, to the supply of its products to its customers. The quality management system is certified through the ISO9001 certification scheme. The Group's products are manufactured to European Union standards under the CPR and carry the CE mark or hold a BBA certificate (to the extent the CPR does not apply). With the UK Government's increasing focus on sustainable development, many construction companies are recognising the need to demonstrate that their buildings are built with sustainability, the environment and safety in mind. The Group's products are inherently sustainable building materials as they are durable, require little or no maintenance and the masonry can be recycled at the end of their use. The Group's brick and block products and precast concrete products also contribute to thermal mass, resulting in buildings which need less energy for heating and cooling. In particular, the Group's ecostock® brick is the most environmentally friendly brick in the United Kingdom, with the lowest embodied CO₂ available. The Group holds BES6001 responsible sourcing certification across its product range, with the exception of its structural external wall insulation products due to the nature of the product, and was the first brick manufacturer in the United Kingdom to achieve such certification across its range of brick products. The Group's energy management, environmental quality management and occupational health and safety management systems are all credited through the ISO certification schemes (as further described in paragraph 13 of this Part 6 (*Business of the Group*) of this Prospectus).

8. SALES, MARKETING AND DISTRIBUTION

Save for the Group's range of extruded special shaped bricks, the Group's bricks and blocks are high volume standardised products. The Group has established target levels of inventory for these items which, through its streamlined product SKUs, it attempts to keep available at its manufacturing facilities to readily meet demand. Inventory is held at its manufacturing facilities and, to a lesser extent, at distribution yards. The Group's bespoke products are often customised and made to order.

The Group operates a dedicated sales and customer service centre for its bricks and blocks business allowing the Group to more effectively and efficiently respond to customer needs. The bricks and blocks sales team comprises of 70 sales professionals, including a 30 strong field based sales team who are geographically organised and actively go out to market, and who are supported by 40 sales co-ordinators who deal with orders from the Whittlesey facility. The sales team include national sales and account managers, product sales and support managers, and area sales managers, who report to the Group's commercial director. The Group's top customers,

including large national homebuilders and national builders' merchants, each have a dedicated national account manager to manage their and their customers' needs and, where necessary, provide a tailored service designed to complement the housebuilding project. The Group's area sales managers cover local or smaller customers. Due to the custom nature of the Group's bespoke products, the Group maintains separate customer service teams and ordering facilities for this business. The bespoke products sales team reports to the relevant general or commercial manager for the product group. The Group's bespoke products sales teams work closely with the bricks and blocks sales team to ensure continuity of service. The Group's sales teams receive in-depth technical training on the Group's products to provide them with the requisite knowledge when dealing with the Group's customers.

The precast concrete flooring products are complemented by the Group's full design and nationwide installation services, while certain other bespoke products, including concrete block paving and chimney flues, are complemented by the Group's specification and design service.

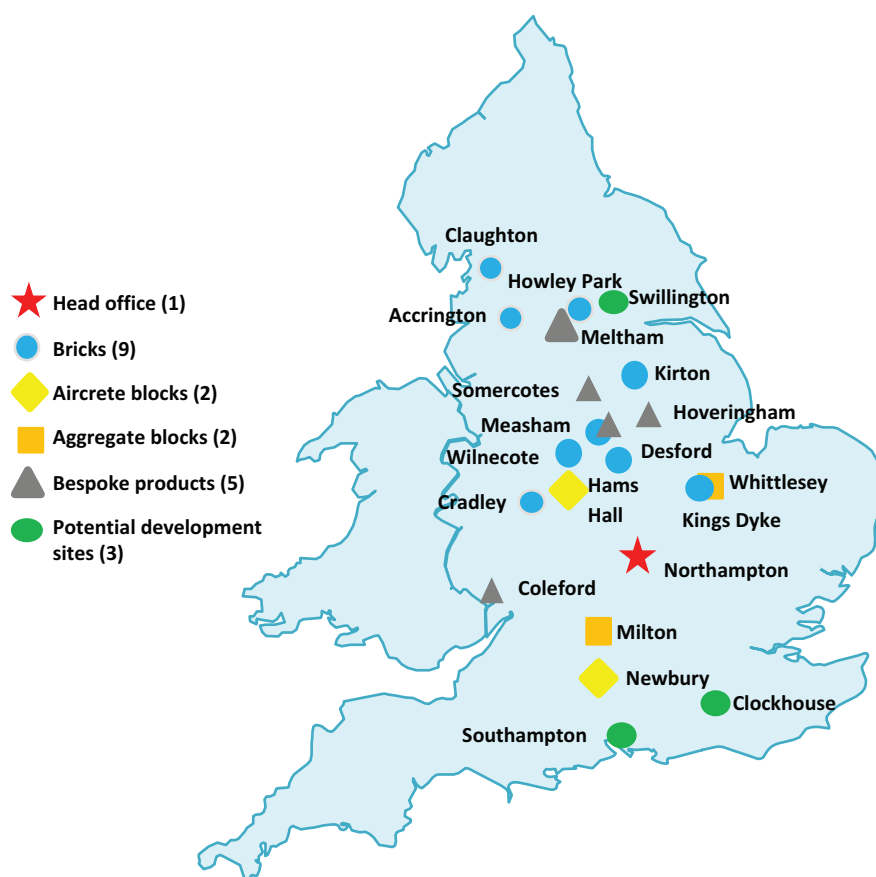
The Group's marketing strategy is to connect all key decision makers in the purchasing process. The Group targets national and regional builders, contractors, self-builders, national builders' merchants, independent merchants, architects and special distributors which provides exposure to each of the Group's end markets. The Group uses both traditional and digital channels to market its products. The Group produces a comprehensive suite of product literature, which includes brochures and technical guides relating to the specification and use of the products, and which are available in hard copy or through its website to customers and end users, with the use of hardcopies targeted at key customers and builders' merchants to support sales. The Group has a comprehensive website and offers apps for Apple and Android devices, to assist its customers with brick and block selection. The Group also provides an online technical enquiry facility and market leading specification tools, such as the U-value Calculator for wall construction U-values, the Flue System Estimator with full components, illustrations, product quantities and list prices and the Brick Blending Visualiser for designing contemporary brick blends and facades. The Group's website also provides regular news and building products updates. In 2013, the Group launched its online training academy, which provides help and assistance for customers and end users alike and which the Directors believe further enhances the Group's brand reputation and customer relationships. Forterra is a member of RIBA's continuing professional development providers' network, and offers architects and other construction professionals six RIBA approved professional development seminars on various topics. All training materials are rigorously assessed by RIBA within strict best practice guidelines and RIBA ensures content is kept up-to-date and relevant. RIBA also carries out continual quality checks to maintain high standards.

The employment of Building Information Modelling ("BIM") as a process has gained momentum over the last three years. All of the Group's brick and block products, as well as certain of its bespoke products, are in BIM format, which ensures that details of the Group's products are kept up-to-date and are accessible in an integrated digital environment, giving users, such as architects, engineers and housebuilders, a clear overall vision of their projects, as well as the ability to make informed decisions faster. The UK Government guidelines state that BIM must be used on all public projects by April 2016, and private sector clients are likely to follow. The Directors believe that, in the long-term, customers will only use manufacturers who have adopted BIM.

The Group's products are delivered by road in the United Kingdom. In order to maximise efficiency, the Group endeavours to use its own leased fleet of crane-equipped delivery vehicles to deliver its bricks, aircrete blocks and aggregate blocks to its customers. Of the bricks, aircrete blocks and aggregate blocks that the Group delivers, approximately 60% are delivered using the Group's delivery vehicles with the remainder carried by third party hauliers. The Group's other products are all transported by third party hauliers. The Group's delivery vehicles have modern engines that are both fuel efficient and meet current EU emissions standards. The Group uses an optimisation tool that assists with the efficient scheduling of deliveries, provides visibility of vehicle activity and is linked to the Group's sales order processing system, which enables the delivery team to adapt to changes in customer requirements.

9. THE FACILITIES

The map below shows the geographic locations of the Group's manufacturing facilities, its head office and its potential development sites at Swillington, Clockhouse and Southampton:



The Group's manufacturing facilities are both owned and leased sites, which incur a number of costs including rent and service charges. Some of the facilities include parts which are owned by the Group and other parts which are leased. Most of the Group's leased (or part leased) facilities are subject to long-term leases.

Bricks and Blocks

Bricks

Facility	Address	Manufactured products	Production capacity per annum (million)	Percentage of total capacity	Owned / Leased
Accrington	Accrington, Lancashire	Extruded bricks	45	8	Owned
Claughton	Lancaster, Lancashire	Extruded bricks	45	8	Owned
Cradley	Cradley Heath, West Midlands	Extruded special bricks	1	0	Part owned/ Part leased
Desford	Coalville, Leicestershire	Extruded bricks	80	14	Owned
Howley Park	Dewsbury, West Yorkshire	Extruded bricks	50	9	Part owned/ Part leased
Kings Dyke	Whittlesey, Cambridgeshire	Fletton bricks	130	23	Part owned/ Part leased

Facility	Address	Manufactured products	Production capacity per annum (million)	Percentage of total capacity	Owned / Leased
Kirton	Newark, Nottinghamshire	Extruded bricks	85	15	Part owned/ Part leased
Measham ⁽²⁾	Swadlincote, Derbyshire	Soft mud bricks	105	18	Owned
Wilnecote	Wilnecote, Staffordshire	Extruded bricks	29	5	Owned

Aircrete blocks

Facility	Address	Manufactured products	Production capacity per annum (m ³)	Percentage of total capacity	Owned / Leased
Hams Hall	Coleshill, Warwickshire	Aircrete blocks	405,000	49	Owned
Newbury	Thatcham, Berkshire	Aircrete blocks	420,000	51	Owned

Aggregate blocks

Facility	Address	Manufactured products	Production capacity per annum (m ³)	Percentage of total capacity	Owned / Leased
Milton	Abingdon, Oxfordshire	Aggregate blocks	100,000 ⁽³⁾	36	Part owned/ Part leased
Whittlesey	Whittlesey, Cambridgeshire	Aggregate blocks	175,000	64	Part owned/ Part leased

Bespoke Products

Facility	Address	Manufactured products	Production capacity per annum	Owned / Leased
Coleford	Coleford, Gloucestershire	Concrete block paving	750,000m ²	Leased
Hoveringham	Nottingham, Nottinghamshire	Precast concrete	220,000 tonnes	Owned
Measham ⁽⁴⁾	Swadlincote, Derbyshire	Chimney and roofing solutions	6,900 tonnes	Owned
Meltham	Huddersfield, West Yorkshire	Structural external wall insulation	76,000 panels	Leased
Somercotes	Alfreton, Derbyshire	Precast concrete	50,000 tonnes	Owned

Notes

⁽¹⁾ The Group's head office and potential development sites are not included in the tables above.

⁽²⁾ Excludes Red Bank® operations at the Measham Red Bank facility.

⁽³⁾ The facility's capacity is limited to that stated by a small stock yard. The facility has capacity to produce more aggregate blocks per annum however it would increase the unit cost of production.

⁽⁴⁾ Excludes brick operations at the Measham facility (see table relating to "Bricks" above for information relating to the Measham facility's brick operations).

During the economic downturn, the Group closed seven of its brick manufacturing facilities, one aircrete block manufacturing facility, ten aggregate block manufacturing facilities and four bespoke products manufacturing facilities. It also mothballed its facilities at Accrington and Cloughton, which were brought back online in 2015 and 2014, respectively, and retained two of its closed sites at Swillington and Clockhouse and its wharf at Southampton where an aggregate block facility was formerly located. The Group's retained aggregate block manufacturing facilities are located in the South East and East of England, where the Directors believe the aggregate block market is most active.

In 2009, the Group opened its state-of-the-art soft mud brick facility at Measham, which is the most advanced, efficient and sustainable brick manufacturing facility in the United Kingdom. The Measham facility incorporates a range of environmental features, such as low energy and low waste production processes to make soft mud

bricks with the lowest embodied CO₂ available. The kiln is designed so that heat output is used in other areas of the facility, reducing energy consumption by up to 50% compared to other brick facilities. Water used in the manufacturing process is recycled and raw material wastage is less than 1%. Some of the latest computerised technology, along with a fully automated production process, makes the facility highly efficient. Precise batching, blending and mixing techniques coupled with greater temperature control ensures consistent colour, dimensional accuracy and high product quality. The Group's ecostock® bricks are manufactured at the Measham facility from raw materials sourced from an adjoining clay quarry and are the most environmentally friendly and sustainable stock brick range in the United Kingdom. The Measham facility has capacity to produce up to 105 million soft mud bricks per annum.

In 2008, the Group opened its new £9.1 million purpose-built aggregate block and concrete block paving facility at Whittlesey, located in the East of England, where the Group enjoys strong sales, and adjacent to one of the Group's clay quarries where it excavates sand and gravel for the manufacture of its aggregate blocks. The Whittlesey facility has an annual production capacity of 175,000 m³ aggregate blocks and replaced the old and inefficient facility at St Ives which had a production capacity of 60,000 m³ aggregate blocks per annum. The state-of-the-art manufacturing equipment installed at the facility is designed to achieve rapid cycle times and optimum product quality, with a fully automated mould changeover system which means that a product mould change is carried out six times quicker than the old manual procedure. In line with the Group's commitment to health and safety, the facility's humidity controlled environment and specialised machinery allows for earlier handle ability of the products and ensures noise and dust control.

Between 2013 and 2015, the Group installed an integrated measurement system to monitor its manufacturing equipment performance and reliability across its significant manufacturing facilities. The sophisticated Intouch production monitoring equipment records production performance measures and other data and highlights any issues with a facility's equipment or processes in real time, thus allowing the Group to make efficiencies and to react to unforeseen events more quickly. The Intouch system also allows the Group to measure performance consistently across its significant facilities, allowing benchmarking and sharing of best practice, which the Directors believe drives a culture of improvement in the business. The Intouch system has reduced manufacturing downtime and has also increased the Group's utilisation capacity, operational productivity and product quality. In 2014 and 2015, the Group also rolled out key efficiency principles at selected facilities, including a dedicated operations room and daily operations review. It also implemented short interval controls on identified manufacturing bottlenecks.

More recently, through 2015 and early 2016, the Group initiated investment in the following projects:

- expansion of the kiln at the Group's brick manufacturing facility at Measham and the introduction of innovative steam technology to reduce the brick drying cycle at a cost of £4.0 million, increasing brick production capacity at the facility by 22% (19 million bricks) per annum;
- modernisation and expansion of the Group's aircrete block facility at Hams Hall at a cost of £2.1 million, increasing aircrete block production capacity at the facility by 9% (33,000 m³) per annum, whilst also addressing safety and automation issues;
- installation of a new packing machine at the Group's Accrington facility at a cost of £0.6 million, eliminating the use of wooden pallets and standardising packaging formats across all brick manufacturing facilities, which the Directors believe is expected to reduce operational costs by £0.3 million per annum, assuming full output at the facility; and
- installation of a new concrete casting equipment at the Group's bespoke products facility at Hoveringham at a cost of £0.4 million, reducing employee headcount and the amount of cement required, which the Directors believe will reduce operational costs by £0.3 million per annum, assuming full output at the facility.

10. PROCUREMENT

Key raw materials used in the manufacture of the Group's brick products are clay and shale, both of which are predominantly sourced from the Group's own clay reserves. The primary material used in the manufacture of the Group's aircrete blocks is PFA and the primary materials used in the manufacture of the Group's aggregate blocks are aggregates and cement. The Group's cementitious materials and aggregates are currently sourced principally from the HeidelbergCement Group, to a lesser extent from other third party suppliers and from the Group's own reserves. Steel is also a key raw material to certain of the Group's products.

Procurement of raw materials from third parties is managed centrally, with pricing typically negotiated annually. The Group's larger suppliers are typically engaged through the Group's formal procurement and tendering process, with some smaller suppliers agreed locally. The Group typically relies on one supplier for each commodity. However, most of the Group's raw materials are widely available commodities and, other than in relation to PFA, the Group has not experienced any significant raw material shortages.

The Group generally attempts to pass increased costs, including higher raw material prices, onto its customers.

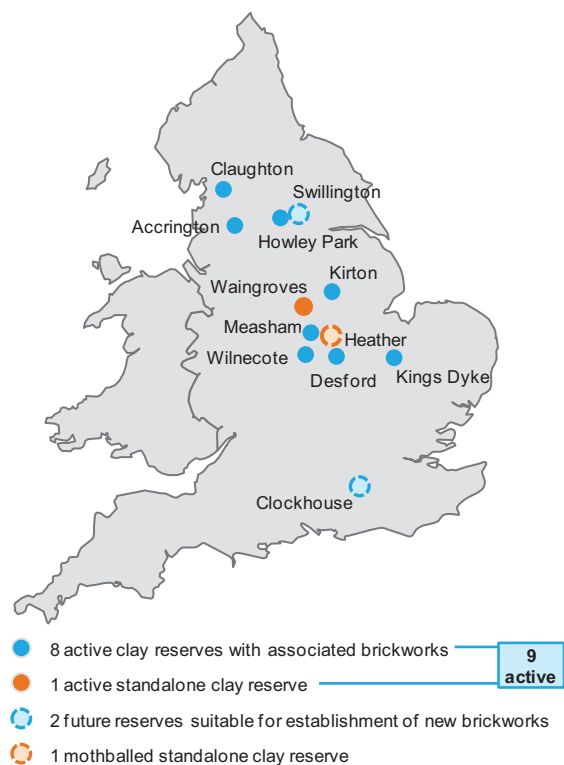
Clay and shale

The operation of quarries requires planning permission from government authorities. Permission is granted in respect of a specific quarry design, providing a specific volume of material which may be extracted over a specific period of time. Therefore, once the authorised amount of material has been extracted or the period of the permission has expired, it is necessary to apply for a renewal or extension of the planning permission. The Group holds planning permissions over portions of its clay deposits and categorises its clay deposits substantially on the basis of whether or not it holds planning permission to extract the clay.

The Group has its own quarries for the extraction of clay and shale. Approximately 93% of the clay and shale used in the manufacture of the Group's brick products is extracted by the Group or by third party contractors from the Group's quarries on land that it owns or leases under long-term leases in the vicinity of its brick manufacturing facilities. Save for the extraction of clay and shale at the Group's Kings Dyke and Kirton quarries, which represents approximately 38% of the Group's current usage, extraction of clay and shale at the Group's quarries is subcontracted. Where clay extraction is subcontracted by the Group, it is generally stripped and extracted on a number of occasions during the year, mostly during periods of better weather. The Group purchases the remaining portion of its clay and shale (primarily specialty clays that are used in limited quantities) from various suppliers.

The Directors estimate that the Group has in excess of 49 million tonnes of clay reserves across 12 quarries in the United Kingdom, 10 of which are located within approximately one mile of the Group's manufacturing facilities and potential future development sites, which the Directors estimate is equivalent to over 30 years of brick production based on the Group's existing brick production. In addition, the Directors estimate that the Group has a further 36 million tonnes of clay resources that do not currently have planning permission for extraction, which together with its planned clay reserves provides the Group with in excess of 85 million tonnes of clay resources which the Directors estimate is equivalent to over 55 years of brick production based on the Group's existing brick production. The Group has a quarry in close proximity to its Wilnecote facility, which the Directors estimate has only two years of reserves remaining. The Group is currently negotiating the extension of the quarry with the local landowner, which the Directors estimate will provide the Group with a further ten years of reserves. In connection with this extension, the Group will be required to seek an extension to its existing planning permission for the Wilnecote site, which the Directors estimate is likely to take 12 months to secure. The Group intends to acquire further clay and shale reserves in the future at the appropriate time and in line with its growth strategy.

Geographic locations of the Group's clay reserves



Eight of the Group's nine active quarries are located in close proximity to its brick manufacturing facilities, allowing easy access to raw materials for the manufacture of its bricks and other clay or shale based products.

The Group's Cradley facility is not integrated with a clay quarry in close proximity, but focuses on low volumes of high margin specialised bricks and which uses minimal clay quantities.

During the excavation of clay and shale at its quarry at Kings Dyke, the Group also excavates sand and gravel which the Group uses for the manufacture of its aggregate blocks.

Cement and aggregates

Prior to the Lone Star Acquisition, the Group purchased cement, sand and aggregates from the HeidelbergCement Group and other suppliers in close proximity to the Group's manufacturing facilities. On completion of the Lone Star Acquisition, Forterra Building Products entered into the Heidelberg Aggregates Supply Agreement and the Heidelberg Cement Supply Agreement (each as further described in paragraphs 12.13 and 12.14 of Part 14 (*Additional Information*) of this Prospectus). Pursuant to the Heidelberg Aggregates Supply Agreement, subject to certain exceptions, the Group may purchase its aggregates from the HeidelbergCement Group at the prevailing market price until 13 March 2020. Pursuant to the Heidelberg Cement Supply Agreement the Group is required to purchase the majority of its cement from the HeidelbergCement Group until 31 December 2016 and thereafter, subject to certain exceptions, it may continue to purchase its cement from the HeidelbergCement Group at the then prevailing market price until 13 March 2020. Please refer to the paragraph entitled "*Increases in the cost or decreased availability of raw materials could have a material adverse effect on the Group*" of Part 1 (*Risk Factors*) of this Prospectus. To the extent the Group does not produce such materials or acquire such materials pursuant to the terms of the Heidelberg Aggregates Supply Agreement and the Heidelberg Cement Supply Agreement, it would usually purchase its raw materials in the spot market, except where there is significant need for particular materials. Save for the Heidelberg Aggregates Supply Agreement and the Heidelberg Cement Supply Agreement, generally the Group does not enter into long-term supply contracts with its suppliers that require it to purchase particular quantities or to pay particular prices.

Pulverised fuel ash

Pulverised fuel ash, or PFA, which is used in the manufacture of the Group's aircrete blocks, is a by-product of the combustion of coal in coal-fired power stations. The Group currently primarily sources its PFA from three UK coal-fired power stations, Drax, Rugeley and Ratcliffe. Due to more stringent environmental regulations and the availability of alternative fuel sources such as biomass, the number of operational coal-fired plants in the United Kingdom has been declining and the Directors expect this decline to continue over time. This is expected to result in reduced PFA production in the United Kingdom and an increase in the cost of PFA. In response, the Group has, for some time, been considering alternative strategies, including importing PFA, to ensure continuity of supply, whether of dry PFA, conditioned or reclaimed PFA or other substitutes. It has recently been announced that Rugeley power station will close in the summer of 2016 and the Directors believe that the coal burning units at Drax power station and Ratcliffe power station may close in the medium to longer term. Since the announcement of the Rugeley closure, the Group has made arrangements to secure a substantial proportion of its PFA requirements from other UK coal-fired stations, including Drax, and has decided to incur capital expenditure of approximately £0.5 million at its Hams Hall aircrete facility during a scheduled downtime in May 2016 to allow the Group to add a higher proportion of conditioned PFA to the raw material mix when producing aircrete blocks. The Directors believe that one or more of the strategies that the Group is considering will be viable and that therefore continuity of supply, whether of PFA or a substitute product, will be secured. Please refer to the paragraph entitled "*Increases in the cost or decreased availability of raw materials could have a material adverse effect on the Group*" of Part 1 (*Risk Factors*) of this Prospectus.

Recycled materials

The Group recycles brick manufacturing waste at its Kings Dyke facility and aircrete block manufacturing waste from its Hams Hall and Newbury facilities for use in the manufacture of its aggregate blocks.

Steel

Steel is used predominantly in the Group's flooring and other precast products. The Group purchases its steel on a quarterly basis from a number of different suppliers through the Group's formal procurement and tendering process.

Energy

The Group uses significant amounts of energy, including natural gas and electricity, in the manufacture of its products and the related expense is a significant component of the Group's costs of sales, accounting for 12.5%, 12.4% and 11.2% of the Group's total expenses for 2013, 2014 and 2015, respectively.

Natural gas is one of the principal sources of energy the Group uses to operate its brick operations. The Group also uses a substantial amount of electricity throughout the Group's manufacturing processes. The Group has forward purchased approximately 75% of the natural gas for use in its operations during 2016 and may forward purchase its energy in the future. The remainder of the natural gas used in the Group's brickworks is sourced at current market prices from its contracted gas supplier.

The Group also uses a substantial amount of diesel to operate its delivery vehicles, mobile plant and other vehicles.

Other raw materials

The Group acquires a number of raw materials for specific product ranges, primarily within bespoke products, including expanded polystyrene and galvanised steel wiring which is used in production of the Group's Jetfloor® and structural external wall insulation, respectively.

11. EMPLOYEES

As at 31 December 2015, the Group had approximately 1,600 employees, all of which worked in the United Kingdom. As at 31 December 2014 and 31 December 2013, the Group had approximately 1,400 employees.

There are currently two trade unions recognised by the Group, GMB and Unite. As at 31 December 2015, approximately 41% of the Group's employees, located across seven of the Group's brick manufacturing facilities, were covered by national collective bargaining agreements, which are currently in place with GMB and Unite and are in effect until terminated on 6 months' notice. Employees at three of the Group's facilities, accounting for approximately 15% of the Group's employees as at 31 December 2015, have local collective bargaining agreements in place which relate to any negotiations at the individual facility. Employees at the remaining eight facilities have no such agreements in place. The collective agreements provide for a broad range of protections for employees of the Group, including enhanced severance packages.

The Directors believe that industrial relations remain good across the Group, with an on-going productive dialogue between staff and management.

12. INTELLECTUAL PROPERTY

As at the date of this Prospectus, the Group owned 117 trademarks worldwide. These trademarks primarily relate to the Group's main brand names and logos as well as certain others trademarks. The Directors believe that the Group's most well-known trademarks are Forterra®, ecostock®, The London Brick®, Thermalite®, Jetfloor®, Formpave®, Red Bank® and Strutherm®. As at the date of this Prospectus, the Group owned 45 granted patents (with a further one pending) and three registered designs. The Group also relies upon unpatented proprietary expertise, continuing technological process innovations and other trade secrets to develop and maintain its competitive position. The Group also owns a number of domain names.

The Directors believe that the Group's intellectual property rights are adequately protected and that any expiration of patents and patent licenses would not have a material adverse effect upon the Group's business, financial condition or results of operations.

On 5 October 2015, Forterra Building Products entered into the Trademark Agreement (as further described in paragraph 12.15 of Part 14 (*Additional Information*) of this Prospectus) pursuant to which Forterra Building Products, Stardust Holdings and certain members of the Forterra NA Group have agreed, subject to certain exceptions, that each member of the Group and the Forterra NA Group shall have the exclusive right to use the "Forterra" name in its relevant jurisdiction, shall not contest the use by the other members of the Group and the Forterra NA Group of the "Forterra" name in their relevant jurisdiction, and shall bear its own costs for maintaining the rights to the name in its territory without seeking reimbursement from any other party to the agreement. Please refer to the paragraph entitled "*The Group's rebranding efforts could have a material adverse effect on the Group*" of Part 1 (*Risk Factors*) of this Prospectus.

The Group is not aware of any material legal proceedings that have been brought against it for infringement of a trademark or patent or of any challenges against any of its patents that could have a material adverse effect on the Group's business.

13. ENVIRONMENTAL AND HEALTH AND SAFETY MATTERS

The Group's operations and properties are subject to UK environmental and occupational health and safety laws and regulations, including those pertaining to air emissions, water discharge, water extraction, the use, storage, discharge, handling, disposal, transport and clean-up of solid and hazardous materials and waste, the storage and disposal of hazardous substances and waste, contaminated land, the health and safety of employees and the protection of the environment and natural resources. As the Group's operations involve, and have involved, the handling, transportation and distribution of materials that are, or could be classified as, toxic or hazardous, or otherwise as pollutants, there is some risk of contamination and environmental damage inherent in its operations and the products it handles, transports and distributes. Breaches of environmental laws, applicable authorisations or permits can result in significant fines or civil or criminal sanctions. In addition, the discovery of contamination at the Group's manufacturing facilities could require it to incur substantial clean-up costs.

As a manufacturer of clay bricks and concrete products in the European Union, the Group is subject to significant legislation relating to industrial operators and their industrial and transport emissions, including the Industrial Emissions Directive 2010/75/EU ("IED"). The IED is a recast of seven existing pieces of EU legislation relating to industrial emissions (including, in particular, the Integrated Pollution Prevention and Control Directive (2008/1/EC)). It lays down rules on integrated prevention and control of pollution arising from industrial activities. It also provides rules designed to prevent or, where that is not practicable, to reduce emissions into air, water and land and to prevent the generation of waste. The introduction of IED made little change to existing operational permits, although introduced a number of changes including a new condition for periodic emissions monitoring and a requirement for a detailed baseline report to be prepared in respect of sites that use, produce or release relevant hazardous substances. The IED requires, among other things, installations within its scope to operate under a permit. Member State regulators must set permit conditions for an operator so as to achieve a high level of protection for the environment, based on the use of Best-Available Techniques ("BAT"). The IED defines BAT as "the most effective and advanced stage in the development of activities and their methods of operation which indicates the practical suitability of particular techniques for providing the basis for emission limit values and other permit conditions designed to prevent and, where that is not practicable, to reduce emissions and the impact on the environment as a whole". BAT is determined for each activity and operation that has an impact on the environment. The determination of BAT relies on sector specific BAT Reference documents ("BREF"). The ceramics BREF was first published in 2007 and is due for review in 2017, with the process likely to last for approximately two years. If any changes are required, operators will also likely have a further period of time to make any necessary adjustments. When a facility is closed, the IED also requires the operator to return the site to the condition described in the baseline report.

The Group's products are inherently sustainable building materials as they are durable, require little or no maintenance and can be recycled at the end of their use. The Group's brick and blocks products and precast concrete products also contribute to thermal mass, resulting in buildings which need less energy for heating and cooling. In particular, the Group's ecostock® brick is the most environmentally friendly brick in the United Kingdom, with the lowest embodied CO₂ available. The Group holds BES6001 responsible sourcing certification across its product range, with the exception of its structural external wall insulation products due to the nature of the product. The Group's energy management, environmental quality management and occupational health and safety management systems are all certified through the independent and internationally recognised certification schemes. All of the Group's manufacturing facilities comply with ISO14001 standards for environmental management. The Group's manufacturing facilities and operations are also credited with ISO50001, the energy management systems certification, and the Group's occupational health and safety management system is credited through the BSOHSAS18001 certification across its product range.

Air quality, carbon dioxide reduction and emissions

In the United Kingdom, Part 4 of the Environment Act 1995 requires local authorities to review the quality of air within their area. The reviews have to consider the air quality for the time being and the likely future air quality during the "relevant period" (a period to be prescribed by regulations). Such reviews have to be accompanied by an assessment of whether any prescribed air quality standards or objectives are being achieved or are likely to be achieved within any prescribed relevant period. The Group's manufacturing facilities that fall within scope are subject to the IED (as discussed above), which covers emissions to air, water and land.

The Group actively monitors its emissions, and has done so for well over a decade. Where necessary, the Group's manufacturing facilities include pollution control devices (also known as scrubber systems) designed to reduce pollutant levels. Please also refer to the paragraph entitled "*Energy efficiency*" in this paragraph 13 of this Part 6 (*Business of the Group*) of this Prospectus.

Water quality

The Water Framework Directive 2000/60/EC (the “WFD”) is the principal European Union legislation covering water quality. The WFD works toward water resource sustainability by mandating Member State monitoring of watercourses. In the United Kingdom, the Water Environment (Water Framework Directive) (England and Wales) Regulations 2003 (SI 2003/3242) and similar legislation with respect to Scotland and Northern Ireland implement the WFD. The Water Act 2003 addresses use and management of ground and surface water by, *inter alia*, reinforcing pre-existing restrictions imposed by water use licensing against any contamination, such as through the disposal of sewage or wastewater and the handling of potentially dangerous materials. Stricter licencing and exemption discharge thresholds were implemented, remediation provisions established and the UK Environment Agency or the Secretary of State was empowered to time-limit, alter or revoke permits and administer fines or establish civil or criminal liability for non-compliance.

The Group regularly tests water discharges at its sites and is materially compliant with the water quality rules and regulations applicable to it. The Group’s manufacturing facilities have been mapped for underground drains and discharge points are known and are monitored, with violations self-reported to relevant regulators. Water is recycled and reused on site wherever practicable. As part of the Group’s 2020 sustainability targets, it aims to reduce its main water consumption by 25% between 2010 and 2020 and implement biodiversity action plans for all its active quarries.

Waste management

The Group’s operations produce hazardous and non-hazardous waste and the Group is required to comply with the following waste management laws and regulations.

As with water management, waste management in the European Union is addressed by framework directive 2008/98/EC (the “Waste Directive”), which sets industrial recycling targets as part of an explicit “waste hierarchy”, which emphasises prevention, re-use and recycling over disposal. The Waste Directive incorporates the “polluter pays” principal and extended producer responsibility. It also incorporates provisions on hazardous waste and waste oils from previous directives. The Waste Directive requires that Member States adopt waste management plans and waste prevention programmes. In England and Wales, the Waste Directive was implemented by the Waste (England and Wales) Regulations 2011 (as amended). These regulations make amendments to hazardous waste controls and definitions and require businesses to take all such measures as are reasonable in the circumstances to apply the waste hierarchy to prevent waste. A condition in new or revised permits places a duty on the permit holder to apply the hierarchy. Businesses must also apply the waste management hierarchy when transferring waste and include a declaration on their waste transfer note or consignment note confirming they have complied with that duty. A permit condition will also be required for the mixing of hazardous wastes. The Environmental Protection Act 1990 also imposes a general duty of care on all parties (from producers through to those conducting final disposal or treatment) to take reasonable precautions to ensure proper transfer and disposal/treatment of waste.

Over the past decade, the Group has significantly reduced its waste disposals by actively recycling much of its solid wastes, including inert fired brick hardcore. The Group recycles brick manufacturing waste at its Kings Dyke facility and aircrete block manufacturing waste from its Hams Hall and Newbury facilities for use in the manufacture of its aggregate blocks. The Group has set corporate target to reduce waste to landfill from its operations by 85% by between 2010 and 2020. Water used in the manufacturing process at the Measham facility is recycled and raw material wastage is less than 1%. Each of the Group’s manufacturing facilities has an action plan in place to support this target and each division’s performance is reported to the management team on a monthly basis. The Group continues to work with waste contractors who will recover materials and put these back into beneficial use at waste transfer stations, with the ultimate long-term goal of 100% recovery of non-hazardous materials taken off site. For example, at the Hoveringham facility the Directors estimate that approximately 99% of waste or scrapped concrete material is crushed and recycled by third parties and at the Somercotes facility the Directors estimate that approximately 99% of all waste and scrapped materials is recycled by a neighbouring waste management business.

Land management and use

The United Kingdom has a number of laws which create liabilities in connection with contaminated land. Most notably, Part 2A of the Environmental Protection Act 1990 (the contaminated land regime) imposes liability for the clean-up of contamination on those persons who have caused or knowingly permitted the substances giving rise to the contamination. If such persons cannot be found, liability may fall on the current owners or occupiers of the land in question. A number of other laws, including common law, may also impose liability in respect of contaminated land.

The Group is potentially exposed to such liabilities in a number of ways. In particular, the Group owns a number of sites in the United Kingdom that are, or have been, used as landfills. One of those landfills is still operational and is operated by a third party tenant that holds an environmental permit in respect of the site. The Group seeks to manage its liability risk in relation to these sites primarily through a combination of on-going monitoring and by seeking to ensure that it is not the owner but rather the landfill operator and licence holder who is responsible for the site (such third party operators would typically be required, under the operating permit, to have adequate financial provision in place to address any material environmental, closure and post-closure costs). Whilst the Directors believe that no provision is currently required in respect of these landfill sites, the steps outlined above may not fully mitigate the Group's risks in respect of the landfill sites and unexpected liabilities may arise in the future.

In the United Kingdom, the excavation of raw materials is subject to special operating permits and occasionally to mining rights. Such permits may be subject to stringent requirements to ensure an environmentally sound excavation process in compliance with environmental laws. In the United Kingdom, the environmental impact of mining activities are principally governed by planning law, the Quarries Regulations 1999 and in part by other environmental legislation, such as the Environmental Permitting Regulations 2010 (as amended). Permits typically require remediation, re-cultivation and renaturation of the mining areas after the excavation of raw materials, and operators are obligated to bear any cost in connection with such restoration obligations. The Group makes provisions for its restoration obligations in its financial statements. Non-compliance with the applicable laws, regulations or other provisions may result in administrative fines or criminal liability.

The Group commissions regular environmental assessments of its brickworks, quarries and landfill sites from third parties. It also conducts biodiversity studies on its sites to investigate and relocate protected wildlife. The Group's operations are controlled and legislated by various regulatory bodies such as the Environment Agency and the Planning Authorities, who in turn carry out regular checks to ensure appropriate compliance with relevant enabling permissions, consents and conditions.

Energy efficiency

The European Union's Energy Efficiency Directive 2012/27/EU (the "EED") establishes a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. Under the EED, all EU countries are required to use energy more efficiently at all stages of the energy chain from its production to its final consumption. The EED was implemented in England and Wales via a series of legislative measures in 2014. As part of the initiative, the EED mandates energy audits by large companies and the active use of insulation and other heating system improvements, and requires proportionate penalties to be imposed for non-compliance.

The Group places great importance on energy efficiency and the Group has obtained ISO14001 environmental management certification across all of its manufacturing facilities. All of the Group's manufacturing facilities have also achieved ISO50001 energy management systems certification. ISO50001 is specifically cited in European Commission guidance on EED implementation. The Group also complies with the UK Energy Savings Opportunity Scheme, which regulates the Group's operations. Over the past five years the Group has also made significant capital investments in kiln and dryer technologies to reduce energy use and the vast majority of the Group's carbon dioxide emissions are covered by the European Union Emissions Trading Scheme ("EUETS") or the United Kingdom's equivalent opt-out scheme. As the Group's production capacity increases or if the Group opens new manufacturing facilities, it may be required to increase its carbon allowances at its manufacturing facilities (or trade for additional allowances under the EUETS) and/or obtain new allowances for new sites.

The Group has set a corporate target to reduce carbon emissions by 10% and energy use by 5% between 2010 and 2020. The Measham facility, which the Group opened in 2009, has been designed to a BREEAM very good standard and incorporates a range of environmental features, such as low energy and low waste production processes to make soft mud bricks with the lowest embodied CO₂ available. The kiln is designed so that heat is recycled for use in other areas of the facility and reduces energy consumption by up to 50% compared to conventional brick facilities of its type. The Group regularly monitors its energy consumption and the related emissions by fuel type and operates under ISO50001. The energy management system is regularly third party audited to ensure compliance.

Employee health and safety

As an employer in the EU, the Group must comply with the European Framework Directive on Safety and Health at Work (Directive 89/391/EEC), which guarantees minimum safety and health requirements throughout Europe as well as associated directives on specific topics, for example, Directive 89/656/EEC (personal protective equipment), Directive 99/92/EC (risks from explosive atmospheres) and Directive 92/104/EEC (workers in mineral-extracting industries), among others. The relevant directives have been incorporated into English law; relevant legislation includes, but is not limited to: the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Regulations 1999, the Provision and Use of Work Equipment Regulations 1998, Construction (Design and Management) Regulations 2015 and Quarries Regulations 1999. Under such laws and regulations, employers typically must establish the conditions and the management of work in a manner that effectively prevents dangers to employees. In particular, employers must observe certain medical and hygienic standards and comply with certain occupational health and safety requirements, such as permissible maximum levels of noise in the workplace, the use of protective clothing and requirements relating to maximum temperatures and air ventilation.

Interpretation of the legislative requirements is further supported in the United Kingdom by Approved Codes of Practice. These documents are used to help define the policies and procedures the Group has in place for all employees to effectively manage health and safety. The Group has a team of 21 operations managers responsible for occupational health and safety, who support the operational employees in all aspects of health and safety management and leadership. The role of operations manager is usually undertaken by the plant manager at the Group's manufacturing facilities and by the Group's transport manager, who holds the operator's licence and is responsible for the Group's distribution fleet. Operational managers either hold, or are working towards, the National Examination Board in Occupational Safety and Health's national general certificate in occupational health and safety, which is the most widely held health and safety qualification in the United Kingdom. It provides a broad understanding of health and safety issues to ensure that health and safety risks are managed effectively. Each operations manager is supported by the Group's head of health and safety who, along with two additional specialist advisers, provide both advice and support to those managers as well as monitoring compliance of the Group's health and safety policies.

The Group has training programmes in place to ensure all employees are competent and able to carry out their duties. The Group's operations managers are also tasked with holding regular proactive 'safety conversations' with both employees and contractors at its manufacturing facilities and distribution centres to both highlight and discuss safety concerns as well as praise good practice. The Group's personnel held a total of 9,817 and 13,179 proactive safety conversations with the Group's employees and contractors in 2014 and 2015, respectively, and reduced the number of injuries from 94 in 2014 to 88 in 2015, with 11 of those injuries in 2015 resulting in lost working time. The Group is aiming to reduce the number of injuries in 2016, with no lost time injuries having occurred as at the date of this Prospectus. The Group also operates a forum called 'Building Safety Together'. This allows the Group's management, operations managers and employees to engage within a formal framework that promotes the sharing of best practice across the business.

The Group prepares a detailed monthly report and set of health and safety key performance indicators. These reports are provided to the Group's management, the head of health and safety and the operations managers to ensure both full transparency of health and safety related issues and share good practice. The Group tracks and reports lost time incidents, incidents requiring medical treatment and incidents that are categorised as a near miss or dangerous occurrence, among others.

The Sentencing Council's Guidelines on Health and Safety, Corporate Manslaughter and Food Safety and Hygiene offences (the "**Guidelines**") came into effect on 1 February 2016 and apply to incidents regardless of the date of the offence. The Guidelines establish a tougher sentencing environment for large companies that commit serious breaches of health and safety laws (including the Health and Safety at Work Act 1974 and the various health and safety regulations which sit under it, such as the Provision and Use of Work Equipment Regulations 1998 and the Construction (Design and Management) Regulations 2015). Although it is expected that, pursuant to the Guidelines, less serious offences and offences involving individuals and smaller organisations will be sentenced in broadly the same manner as previously, offences committed by large companies, such as the Group, involving a high degree of harm and culpability will be sentenced more stringently than at present with higher fines or penalties.

Environmental authorisations or permits required for some of the Group's operations may be reviewed, modified or revoked by the issuing authorities. The Directors believe that the Group is in material compliance with the environmental and health and safety laws applicable to the Group's business. The Group's occupational health

and safety management system is credited through the IBSOHSAS18001 certification across its product range. As at the date of this Prospectus, the Group's environmental and health and safety costs have not significantly affected its business, results of operations or financial position.

14. CORPORATE RESPONSIBILITY

The Group's relationships with the local communities in which it operates are very important to it. The Group understands that it has a social and corporate responsibility and is committed to engage with the community at a range of levels, whether customers, neighbours, potential employees, businesses or residents. The Group also seeks to promote socially inclusive policies, encouraging the young and other members of the community.

The Directors recognise that the Group's operations may have an impact on the local community, and therefore strive to be good neighbours. Many of the Group's larger sites operate liaison committees attended by councillors, council officers and residents' representatives.

The Group seeks to support national and local charities, including providing materials for their building projects locally.

15. INSURANCE

The Group maintains insurance policies for property damage and business interruption, public and products liability, employer's liability, motor fleet liability, construction liability, general liability, business travel and directors' and officers' liabilities. Other miscellaneous insurance policies are in effect covering the Group's assets and operations for each of its businesses.

The Directors believe that the Group's insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. The Group's policies are subject to standard deductions, exclusions and other limitations and therefore insurance might not necessarily cover all losses incurred by the Group. The Group cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, the Group's insurance policies.

16. PENSIONS

The Directors and employees of the Group currently participate in the Forterra Group Personal Pension Plan ("FGPPP"), which is a defined contribution pension arrangement under which the Group's obligations are limited to payment of contributions at agreed rates.

Historically, and prior to the Lone Star Acquisition, employees of Forterra Building Products were members of the Hanson Industrial Pension Scheme (the "HIPS"), an occupational pension scheme consisting of several sections, some of which operated on a defined benefit basis. Following the Lone Star Acquisition, from 14 March 2015, the Group offered membership of the FGPPP. The Group has no ongoing funding obligations in relation to the HIPS.

17. LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Company and/or the Group's financial position or profitability.

18. DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy whilst maintaining an appropriate level of dividend cover. This dividend policy will reflect the long-term earnings and cash-flow potential of the Group whilst also ensuring that there is sufficient capital in the Group to fund continued investment. There are no guarantees that the Company will pay dividends or regarding the level of any such dividends. Accordingly, prospective investors should not place any reliance on these targets in deciding whether to invest in the Ordinary Shares and should not assume that Forterra will make any distributions at all. Please refer to the paragraph entitled "*There is no guarantee that the Company will pay dividends in the future*" of Part 1 (Risk Factors) of this Prospectus.

Assuming that there are sufficient distributable reserves available at the time, the Directors intend that the Company will pay an interim dividend and a final dividend in respect of each financial year in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The first dividend to be paid by the Company is intended to be an interim dividend in respect of the year ending on 31 December 2016, to be

announced with the Company's interim results in September 2016 and paid in October 2016. The Directors intend to recommend a final dividend in March 2017, which will be announced together with the Company's annual results, in respect of the financial year ending 31 December 2016, and which will be paid in July 2017. For the current financial year ending 31 December 2016, the Directors intend that the Company declare an aggregate dividend equivalent to approximately 40% of the Group's adjusted net income, to be paid as an interim and a final dividend in the relevant proportions and to be adjusted on a pro rata basis for the period from Admission to 31 December 2016. Thereafter, Forterra intends to follow a progressive dividend policy as outlined above.

Forterra may revise its dividend policy from time to time.

PART 7

DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

Directors

Name	Age	Position
Paul Lester	66	Chairman and Independent Non-Executive Director
Stephen Harrison	48	Chief Executive Officer
Shatish Dasani	54	Chief Financial Officer
Justin Atkinson	55	Senior Independent Non-Executive Director
Divya Seshamani	37	Independent Non-Executive Director
Bradley Bogges	43	Non-Executive Director
Richard Cammerer Jr.	42	Non-Executive Director

The business address of each of the Directors is 5 Grange Park Court, Roman Way, Northampton, NN4 5EA, United Kingdom.

Paul Lester CBE (*Chairman and Independent Non-Executive Director*)

Paul was appointed as a consultant to the board of Forterra Building Products in August 2015 and was appointed as Independent Non-Executive Chairman of the Company and chair of the Remuneration Committee in April 2016. Paul has over 30 years of experience at the senior management or director level of businesses. He was appointed to the board of Essentra PLC, a FTSE 250 company, in December 2015 and will be appointed as Non-Executive Chairman with effect from April 2016. Paul also currently serves as Non-Executive Chairman of Knight Square Holdings Limited, Greenergy International Ltd and the John Laing Infrastructure Fund, a FTSE 250 company, having led the initial public offering of the fund in 2010. Previously, Paul was Chairman of Survitec plc, Chief Executive of support services company VT Group Plc, Group Managing Director of Balfour Beatty Plc and Non-Executive Director of Invensys Plc. Paul has held numerous board and senior management positions at other engineering and support service companies. Paul holds a Bachelor of Science with Honours degree in Mechanical Engineering and a diploma in Management Studies from Nottingham Trent University. Paul is a Chartered Engineer, is Fellow of the Institution of Mechanical Engineers and is a member of Her Majesty's Major Projects Review Group. Paul was awarded a CBE in 2008.

Stephen Harrison (*Chief Executive Officer*)

Stephen joined Hanson PLC in October 2002 and has held a variety of senior management roles within the HeidelbergCement Group since that time. Stephen was appointed managing director of Hanson Building Products in August 2012 and will, upon Admission, be appointed Chief Executive Officer of the Company. Stephen is a Director of the Construction Products Association, is a Director of the Brick Development Association, is a Director of the Aircrete Products Association and holds a Bachelor of Arts with Honours degree in Economics from Kingston University, London, and a Master of Business Administration degree from Cranfield School of Management.

Shatish Dasani (*Chief Financial Officer*)

Shatish was appointed Chief Financial Officer of the Group in December 2015 and will, upon Admission, be appointed Chief Financial Officer of the Company. Shatish started his career with KPMG as a Chartered Accountant and thereafter was an Executive Consultant within KPMG's management consulting business. Between 1990 and 1997, Shatish was Group Chief Accountant of Blue Circle Industries Plc (now part of LafargeHolcim) in London and thereafter Chief Financial Officer of Blue Circle South America, based in Chile. In 2003, Shatish became Group Financial Controller at De La Rue plc and in 2005 was appointed as an alternate Non-Executive Director at Camelot Group Plc. Thereafter, in 2008, Shatish was appointed Chief Financial Officer at TT Electronics plc and has recently held the role of public member at Network Rail. Shatish holds a double first class Bachelor of Arts with Honours degree in Mathematics from Oxford University and a Master of Business Administration degree from London Business School.

Justin Atkinson (*Senior Independent Non-Executive Director*)

Justin was appointed the Senior Independent Non-Executive Director of the Company and chair of the Audit Committee in April 2016. Justin has over 20 years of experience at the senior management or director level of

businesses, including those in engineering and all types of construction, including residential and commercial markets. He currently serves as a Senior Independent Non-Executive Director and member of the risk management and audit committee, remuneration committee, safety, health and environment committee and nomination committee of Kier Group plc and is a member of the audit committee of the National Trust. Between 1990 and 2015, Justin held various roles within the Keller Group plc, and became Chief Operating Officer in 2003 and Chief Executive Officer in 2004 until 2015. Previously, Justin was a Financial Manager at Reuters PLC and trained as a Chartered Accountant at Deloitte Haskins & Sells (Scotland) (now part of PWC). Justin is a qualified Chartered Accountant, holds a Bachelor degree in Accountancy from Glasgow University and an advanced management qualification from INSEAD.

Divya Seshamani (*Independent Non-Executive Director*)

Divya was appointed as an Independent Non-Executive Director of the Company and chair of the Risk Committee in April 2016. Divya has over 16 years of experience at the senior management or director level of businesses, including those in investment, infrastructure, energy, sustainability and manufacturing. Divya is currently Managing Partner of Greensphere Capital LLP and Partner at TPG Europe LLP. Previously, Divya was an independent Non-Executive Director at Marine Current Turbines Limited between 2010 and 2012, a Council Member of the Royal Institute of International Affairs (Chatham House) between 2006 and 2012 and worked in the global infrastructure group at the Government of Singapore Investment Corporation between 2006 and 2011. Divya has also held principal roles at Unilever Ventures Limited and The Parthenon Group. Divya holds a Bachelor of Arts degree and Masters of Arts degree in Politics, Philosophy and Economics from Oxford University and a Master of Business Administration degree from Harvard University.

Bradley Boggess (*Non-Executive Director*)

Brad was appointed as a Non-Executive Director of the Company in March 2016. Brad has been appointed as one of the Lone Star Directors pursuant to the terms of the Relationship Agreement. Brad has over 12 years of experience at the senior management or director level of businesses, including those in investment, retail, financial services and manufacturing. Brad is currently Chairman of the board of Southeastern Grocers, an US\$11 billion food retailer, and is on the board of directors of Home Properties, a large multi-family real estate company. Brad is Managing Director and Chief Administrative Officer of Hudson Advisors L.P., an affiliate of Lone Star, where he has responsibility for information services, human resources, global administration and corporate governance. Formerly, Brad was Chairman of the board of Continental Building Products, Inc. a NYSE listed entity, and on the board of directors of DFC Global Corp., Del Frisco's Restaurant Group, Caliber Home Loans and Sterling Holdings Ltd. Brad was an Armor Officer in The United States Army and holds a Bachelor of Science degree in Management from Tulane University in New Orleans, Louisiana.

Richard "Chip" Cammerer Jr. (*Non-Executive Director*)

Chip was appointed as a Non-Executive Director of the Company in March 2016. Chip has been appointed as one of the Lone Star Directors pursuant to the terms of the Relationship Agreement. Chip has over 20 years of experience within the commercial and investment banking industry, advising corporate clients and boards on a range of strategic and financial transactions. Chip is currently Managing Director of Hudson Americas, L.P., an affiliate of Lone Star, and is a member of the board of Southeastern Grocers, an US\$11 billion food retailer. Between 2014 and 2016, he was Managing Director in the industry team at RBC Capital Markets in New York. Between 2006 and 2014, Chip held various roles within Citigroup Global Markets Inc.'s investment banking arm in New York, being promoted to Managing Director of the industry team in 2010. Previously, Chip held roles in Deutsche Bank Securities Inc.'s investment banking arm in New York, Banc of America Securities LLC and Bank of America, N.A. Chip holds a Bachelor degree in Business Administration (Finance) from Southern Methodist University and a Master of Business Administration degree from Vanderbilt University with a dual concentration in Finance and Accounting.

Senior Managers

The Company's current senior management team is as follows:

<u>Name</u>	<u>Position</u>	<u>Age</u>
Matthew Clay	Managing Director, Bespoke Products	51
Benjamin Guyatt	Company Secretary and Finance Director	40
Adam Smith	Commercial Director	48
George Stewart	Operations Director	51

Benjamin Guyatt (Company Secretary and Finance Director)

Ben was appointed Company Secretary in January 2016 and has been Finance Director of Forterra Building Products since January 2014. Ben joined Hanson PLC in 2006, and has held a variety of senior finance and strategy roles within the UK business of the HeidelbergCement Group since that time. Ben is a qualified Chartered Accountant and holds a Bachelor of Arts with Honours degree in Accounting and Finance from the University of the West of England.

Matthew Clay (Managing Director, Bespoke Products)

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

Adam Smith (Commercial Director)

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

George Stewart (Operations Director)

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

Corporate governance

Corporate Governance Code

The Board is committed to the highest standards of corporate governance. As at the date of this Prospectus and on, and following, Admission, the Board will comply with the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council (the “**Corporate Governance Code**”) except as set out below. The Board will also take account of institutional shareholder governance rules and guidance on disclosure and shareholder authorisation of corporate events.

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

The Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

The Board has concluded that Justin Atkinson and Divya Seshamani are independent non-executive directors for the purposes of the Corporate Governance Code and that their appointments as independent Non-Executive Directors are in the best interests of Shareholders. The Board considers its independent Non-Executive Directors to bring strong judgement and considerable knowledge and experience to the Board's deliberations.

As the Board will consist of the Chairman, two Executive Directors, two independent Non-Executive Directors and two Non-Executive Directors (who are not considered to be independent by virtue of their relationship with the Selling Shareholder), the Company does not, at the date of this Prospectus and will not at Admission, comply with the Corporate Governance Code's recommendation that at least half the Board, excluding the Chairman, are independent. As the Board will have two experienced independent Non-Executive Directors as well as a Non-Executive Chairman (who was independent on appointment), the Board is satisfied that no individual will dominate the Board's decision-taking, no undue reliance will be placed on particular individuals and the Board will be capable of operating effectively as at the date of this Prospectus and on and after Admission. However, the Company intends to move towards compliance with the requirements of the Corporate Governance Code within a reasonable period of time following Admission.

Paul Lester has been appointed as chair of the Remuneration Committee. Therefore, as at the date of this Prospectus and on Admission, the Company will not comply with the recommendation of the Corporate Governance Code which provides that the chairman, if considered independent on appointment, may be a member, but not chair, of the Remuneration Committee. The Board considers Paul Lester to have the necessary experience and skill to chair the Remuneration Committee following Admission, that will also have among its members, two experienced independent Non-Executive Directors, and the Company intends to move towards compliance with the requirements of the Corporate Governance Code within a reasonable period of time following Admission.

Further, pursuant to the Relationship Agreement between the Selling Shareholder and the Company, it has been agreed that following Admission: (a) if the Selling Shareholder's shareholding in the Company falls below 20%, a Lone Star Director will be removed from the Board; (b) if the Selling Shareholder's shareholding in the Company falls below 10%, a Lone Star Director will be removed from the Board. The Company and the Selling Shareholder has agreed to use their reasonable endeavours to procure that within 18 months of Admission (or such earlier date as may be required by a competent government or regulatory authority in the United Kingdom) the Board has either (i) a majority of independent Non-Executive Directors or (ii) a chairman who is determined by the Board to be independent pursuant to the Corporate Governance Code and independent Non-Executive Directors, who together with the then existing independent Non-Executive Directors, form the majority of the Board. As a result of these obligations, it is envisaged that the Board will become fully compliant with the Corporate Governance Code.

The Corporate Governance Code also recommends that the Board should appoint one of the independent Non-Executive Directors as the Senior Independent Non-Executive Director and Justin Atkinson has been appointed to fulfil this role. The Senior Independent Non-Executive Director will be available to Shareholders if they have concerns which the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve following contact through the normal channels or when contact with these individuals is inappropriate. It is the Company's intention that each of the Directors will stand for re-election on an annual basis. The Board will report to Shareholders on compliance with the Corporate Governance Code in accordance with the Listing Rules.

The Board intends to meet at least six times a year and may meet at other times as required or otherwise at the request of one or more of the Directors. As envisaged by the Corporate Governance Code, the Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Risk Committee. If the need should arise, the Board may set up additional committees as appropriate.

Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The Audit Committee will normally meet not less than four times a year.

The Audit Committee is chaired by Justin Atkinson and its other members are Paul Lester and Divya Seshamani. The Corporate Governance Code recommends that all members of the Audit Committee be non-executive

directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the Corporate Governance Code in this respect.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors (other than those appointed by the Selling Shareholder in accordance with the terms of the Relationship Agreement) and will make appropriate recommendations to the Board on such matters.

The Nomination Committee is chaired by Paul Lester and its other members are Justin Atkinson and a Lone Star Director. The Corporate Governance Code provides that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. As the Company's Nomination Committee will consist of one independent Non-Executive Director as well as a Chairman (who was independent on appointment), the Company will comply with the Corporate Governance Code recommendation that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. Only members of the Nomination Committee have the right to attend committee meetings. However, other individuals such as the Chief Executive Officer, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Nomination Committee will meet formally at least once a year and otherwise as required. It has responsibility for considering the size, structure and composition of the Board and the retirement and appointment of Directors and will make appropriate recommendations to the Board in relation to these matters.

The principal duties of the Nomination Committee include the following:

- regularly to review the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations to the Board with regard to any changes;
- to identify, nominate and recommend for the approval of the Board appropriate candidates to fill Board vacancies as and when they arise;
- to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- to satisfy itself with regard to succession planning that processes and plans are in place with regard to both Board and senior management appointments;
- to review annually the time required to fulfil the role of Chairman, Senior Independent Non-Executive Director and each Non-Executive Director and use performance evaluation to assess whether the Non-Executive Directors have devoted sufficient time to their duties;
- to recommend the re-election (or not) by Shareholders of any Director under the retirement and re-election provisions in the Articles;
- to make a statement in the annual report of the Group about its activities and the process used for appointments and explain if external advice or open advertising has not been used;
- to make its terms of reference publicly available; and
- to ensure that on appointment to the Board, Non-Executive Directors receive formal written terms of appointment.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the Executive Directors and recommending and monitoring the remuneration of senior management below Board level. The Remuneration Committee is chaired by Paul Lester and its other members are Justin Atkinson and Divya Seshamani. The Corporate Governance Code provides that the Remuneration Committee should comprise at least three independent non-executive directors and provides that the Chairman may also be a member, but not the chair, of the committee if he was considered independent on appointment as Chairman. As described above, as the Chairman will also chair the

Remuneration Committee, the Company will not comply with the Corporate Governance Code on Admission. The Board considers Paul Lester to have the necessary experience and skill to chair the Remuneration Committee following Admission, that will also have among its members, two experienced independent Non-Executive Directors, and the Company intends to move towards compliance with the requirements of the Corporate Governance Code within a reasonable period of time following Admission.

The Remuneration Committee will meet formally at least twice each year and otherwise as required. The Remuneration Committee considers all material elements of remuneration policy, remuneration and incentives of Executive Directors and senior management with reference to independent remuneration research and professional advice in accordance with the Governance Code and makes recommendations to the Board on the framework for executive remuneration and its cost. The Board is then responsible for implementing the recommendations and agreeing the remuneration packages of individual Directors. The Remuneration Committee is also responsible for making recommendations for the grants of awards under Share Plans (as described in paragraph 7 of Part 14 (*Additional Information*) of this Prospectus). In accordance with the Remuneration Committee's terms of reference, no Director may participate in discussions relating to his own terms and conditions of remuneration. Non-Executive Directors' and the Chairman's fees will be determined by the full Board.

Risk Committee

The Risk Committee assists the Board in ensuring that matters of all risks, including health, safety and security are managed effectively and proactively throughout the Group. The Risk Committee will consist of the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Independent Non-Executive Directors, with other executives of the Group, such as the head of the Group's Health and Safety and Risk Management, to be invited by the other members of the Risk Committee as and when required. The Risk Committee will be chaired by Divya Seshamani.

The Risk Committee will meet formally at least four times a year and otherwise as required. Duties of the Risk Committee include reviewing the Group's risk register, risk and health and safety policy, reviewing compliance with applicable health and safety directives and legislation, reviewing audit findings and reviewing the effectiveness of the Group's risk management team (including the quality and numbers of directly involved engineers and other staff).

Share dealing code

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

Relationship Agreement with Selling Shareholder

Immediately following Admission, the Company considers that the Selling Shareholder and its associates will together exercise or control, 30% or more of the votes to be cast on all or substantially all matters at general meetings of the Company. On 21 April 2016, the Company and the Selling Shareholder entered into a relationship agreement (the "**Relationship Agreement**") which will, conditional upon Admission, regulate the ongoing relationship between the Company and the Selling Shareholder and its associates. For the purposes of the Relationship Agreement, the associates of the Selling Shareholder are LSF9 Stardust Holdings, LP, LSF9 Concrete II Ltd, LS Concrete, LS Concrete Holdings Ltd and LS Concrete Midco.

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

- (a) the Company and each other member of the Group shall operate on a basis that is independent from the Selling Shareholder and its associates and neither the Selling Shareholder nor any of its associates shall materially influence the day-to-day running of the Company or any other member of the Group at an operational level;
- (b) all transactions and arrangements between any member of the Group and Selling Shareholder or any of its associates shall be conducted in accordance with the Listing Rules and will be conducted at arm's length and on normal commercial terms;

- (c) neither the Selling Shareholder nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- (d) neither the Selling Shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- (e) neither the Selling Shareholder nor any of its associates will take any action that would have the effect of preventing the Company or any other member of the Group from complying with applicable provisions of the Listing Rules, the Disclosure and Transparency Rules, FSMA and the Corporate Governance Code (save, in the case of the Corporate Governance Code only, as disclosed in this Prospectus or as previously agreed in writing by a majority of the independent Directors); and
- (f) the Selling Shareholder shall, and shall use all reasonable endeavours to procure that its associates shall, abstain from voting on any resolution required by paragraph 11.1.7R(4) of the Listing Rules to approve a “related party transaction” involving the Selling Shareholder or any of its associates.

Pursuant to the Relationship Agreement, the Selling Shareholder is able to appoint (a) two Non-Executive Directors to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 20% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company; and (b) one Non-Executive Director to the Board for so long as it and its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointees are Bradley Boggess and Richard Cammerer. For so long as the Selling Shareholder and its associates are entitled to exercise, or control the exercise of, 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company, the Selling Shareholder is also entitled to appoint one member of the Nomination Committee and appoint one Lone Star Director as an observer to meetings of the Audit Committee, the Remuneration Committee and the Risk Committee. Under the Relationship Agreement, the Selling Shareholder and its affiliates may engage or hold an interest in investments, business ventures or other entities similar to, or that compete with, the business of any member of the Group.

The Relationship Agreement will continue for so long as (a) the Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange’s main market for listed securities and (b) the Selling Shareholder together with its associates are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

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

Following Admission, for so long as there is a controlling shareholder (as defined in the Listing Rules), the Articles allow for the election or re-election of any independent Director to be approved by separate resolutions of (a) the Shareholders and (b) the Shareholders excluding any controlling shareholder. If either of the resolutions is defeated, the Company may propose a further resolution to elect or re-elect the proposed independent Director, which (i) may be voted on within a period commencing 90 days and ending 120 days from the original vote, and (ii) may be passed by a vote of the Shareholders voting as a single class. Furthermore, if the Company wishes the FCA to cancel the listing of the Ordinary Shares on the premium listing segment of the Official List or transfer the Ordinary Shares to the standard listing segment of the Official List, the Company must obtain at a general meeting the prior approval of (y) a majority of not less than 75% of the votes attaching to the Ordinary Shares voted on the resolution, and (z) a majority of the votes attaching to the Ordinary Shares voted on the resolution excluding any Ordinary Shares voted by a controlling shareholder. In all other circumstances, controlling shareholders have and will have the same voting rights attached to the Ordinary Shares as all other Shareholders.

Conflicts of interest

Brad Boggess is Managing Director and Chief Administrative Officer of Hudson Advisors L.P., an affiliate of Lone Star and Chip Cammerer is Managing Director of Hudson Americas, L.P., an affiliate of Lone Star. Lone Star indirectly owns the Selling Shareholder, which will, immediately following Admission, control 65.0% of the voting rights in the Company, assuming no exercise of the Over-allotment Option or 59.8% of the voting rights in the Company, assuming the Over-allotment Option is exercised in full.

Save as set out in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

PART 8
SELECTED FINANCIAL INFORMATION

The selected financial information set out below has been extracted without material amendment from Section B of Part 11 (Historical Financial Information) of this Prospectus, where it is shown with important notes describing some of the line items.

COMBINED AND CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Revenue	225,862	268,073	290,220
Cost of sales	(162,666)	(167,735)	(167,669)
Gross profit	63,196	100,338	122,551
Distribution costs	(39,818)	(42,281)	(45,296)
Administrative expenses	(22,977)	(20,491)	(28,225)
Other operating income	1,481	1,110	505
Operating profit	1,882	38,676	49,535
EBITDA before exceptional items	22,258	54,620	70,531
Less exceptional items	(9,757)	(6,543)	(11,569)
Less depreciation and amortisation	(10,619)	(9,401)	(9,427)
Operating profit	1,882	38,676	49,535
Net finance expense	(369)	(5,261)	(27,335)
Profit before tax	1,513	33,415	22,200
Income tax expense	(3,062)	(9,260)	(4,155)
(Loss)/profit for the financial period	(1,549)	24,155	18,045
Attributable to:			
Owners of the parent	(1,549)	24,155	18,045

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Assets			
Non-current assets			
Intangible assets	16,587	16,597	13,285
Property, plant and equipment	142,378	144,846	149,544
Deferred tax assets	1,914	753	1,794
	160,879	162,196	164,623
Current assets			
Inventories	28,363	30,620	40,924
Trade and other receivables	23,514	20,904	28,558
Trade and other receivables with related parties	41,289	8,960	23,015
Cash and cash equivalents	13,811	20,978	24,189
	106,977	81,462	116,686
Total assets	267,856	243,658	281,309
Capital and reserves attributable to the equity shareholders of the parent			
Ordinary shares	—	90	90
Share premium	—	46,536	46,536
HeidelbergCement AG invested capital	214,628	—	—
Accumulated deficit	—	(275,216)	(257,171)
Total equity	214,628	(228,590)	(210,545)
Non-current liabilities			
Provisions for other liabilities and charges	10,551	11,812	11,656
	10,551	11,812	11,656
Current liabilities			
Trade and other payables	39,190	40,925	55,610
Trade and other payables to related parties	904	11,486	13,903
Income tax liabilities	—	—	1,890
Borrowings from related parties	—	405,000	405,578
Provisions for other liabilities and charges	2,583	3,025	3,217
	42,677	460,436	480,198
Total liabilities	53,228	472,248	491,854
Total equity and liabilities	267,856	243,658	281,309

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				
			Heidelberg Cement AG		
	Share capital	Share premium	invested capital	Accumulated deficit	Total equity
	£000s	£000s	£000s	£000s	£000s
Balance at 1 January 2013	<u>—</u>	<u>—</u>	<u>211,468</u>	<u>—</u>	<u>211,468</u>
Loss for the year	<u>—</u>	<u>—</u>	<u>(1,549)</u>	<u>—</u>	<u>(1,549)</u>
Total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(1,549)</u>	<u>—</u>	<u>(1,549)</u>
Transactions with owners, recognised directly in equity	<u>—</u>	<u>—</u>	<u>4,709</u>	<u>—</u>	<u>4,709</u>
Balance at 31 December 2013	<u>—</u>	<u>—</u>	<u>214,628</u>	<u>—</u>	<u>214,628</u>
Profit for the year	<u>—</u>	<u>—</u>	<u>15,235</u>	<u>8,920</u>	<u>24,155</u>
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>15,235</u>	<u>8,920</u>	<u>24,155</u>
Issuance of share capital	90	46,536	—	—	46,626
Transfer from invested capital to retained earnings	—	—	(229,863)	229,863	—
Transactions with owners, recognised directly in equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>(513,999)</u>	<u>(513,999)</u>
Balance at 31 December 2014	<u>90</u>	<u>46,536</u>	<u>—</u>	<u>(275,216)</u>	<u>(228,590)</u>
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,045</u>	<u>18,045</u>
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,045</u>	<u>18,045</u>
Balance at 31 December 2015	<u>90</u>	<u>46,536</u>	<u>—</u>	<u>(257,171)</u>	<u>(210,545)</u>

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Cash flows from operating activities			
Profit before taxation	1,513	33,415	22,200
Adjustments for:			
– Depreciation	10,018	9,101	9,118
– Amortisation	601	300	309
– Impairment expense/(credit)	3,300	(5,511)	2,410
– (Profit)/loss on disposal of fixed assets	(32)	474	(30)
– Net finance expense	369	5,261	27,335
– Non-cash movement on provisions	1,820	1,721	1,074
– Other non-cash items	—	—	690
Changes in working capital:			
– Inventories	8,524	(2,257)	(10,304)
– Trade and other receivables	13,581	(4,655)	(23,344)
– Trade and other payables	829	4,854	21,895
– Cash movement on provisions	(2,774)	(1,495)	(1,394)
Cash generated from operations	37,749	41,208	49,959
Interest paid	(83)	(4,138)	(26,401)
Tax paid	—	—	(3,306)
Net cash inflow from operating activities	37,666	37,070	20,252
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,814)	(4,973)	(12,421)
Purchase of intangible assets	(672)	(593)	—
Proceeds from sale of property, plant and equipment	66	228	58
Net cash outflow from investing activities	(3,420)	(5,338)	(12,363)
Cash flows from financing activities			
Capital distribution to parent and settlement of cash pooling balance	(33,824)	(24,565)	(4,678)
Net cash used in financing activities	(33,824)	(24,565)	(4,678)
Net increase in cash and cash equivalents	422	7,167	3,211
Cash and cash equivalents at the beginning of the period	13,389	13,811	20,978
Cash and cash equivalents at the end of the period	13,811	20,978	24,189

IFRS AND NON-IFRS FINANCIAL INFORMATION⁽¹⁾

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
EBITDA before exceptional items⁽²⁾	22,258	54,620	70,531
Profit/(loss) on disposal of fixed assets ⁽³⁾	32	(474)	30
Pension deficit reduction payments ⁽⁴⁾	(5,961)	(4,064)	—
Transaction costs ⁽⁵⁾	—	(7,550)	(5,138)
Separation costs ⁽⁶⁾	—	—	(4,042)
Restructuring (expense)/credit ⁽⁷⁾	(528)	34	(9)
Impairment (expense)/credit: ⁽⁸⁾			
– Intangibles	(1,103)	—	(2,410)
– Property, plant and equipment	(2,197)	5,511	—
Total exceptional items	(9,757)	(6,543)	(11,569)
Less depreciation and amortisation	(10,619)	(9,401)	(9,427)
Operating profit	1,882	38,676	49,535
Net finance expense	(369)	(5,261)	(27,335)
Profit before tax	1,513	33,415	22,200

Notes

- (1) The Group reports non-trading income or expenditure as exceptional when the size, nature or function of an item, or aggregation of similar items, is such that separate presentation is relevant to an understanding of its financial position.
- (2) EBITDA before exceptional items for the purposes of this historical financial information represents Earnings before Interest, Tax, Depreciation and Amortisation adjusted to exclude the exceptional items as detailed below.
- (3) The profit/loss on disposal of fixed assets relates to the profit/loss on sale of surplus plant and equipment.
- (4) The pension deficit reduction payments are the allocated defined benefit pension costs for which the group is not liable for going forward.
- (5) The transaction costs in 2014 relate to the non-recurring professional fees related to legal, accounting and auditing services in connection with the sale of this business by HeidelbergCement Group. The costs incurred in 2015 relate to the proposed initial public offering of the Group.
- (6) The separation costs relate to the separation from HeidelbergCement Group and include rebranding, new office fit out costs, set up of standalone IT operations and staff recruitment.
- (7) The restructuring expense relates to severance and other contract termination costs incurred in connection with the programmes to reduce costs and improve operating effectiveness. These programs included the closing of plants and the termination of portions of the workforce. The restructuring credit relates to a release of a provision in relation to a range of downsizing and restructuring initiatives during the economic downturn.
- (8) In 2013, the Group performed an impairment review which resulted in impairment charges of £3,300,000. An impairment reversal of £5,511,000 was recognised in 2014 whereby the impairment charges in relation to two sites were reversed as a result of re-opening a site that was previously closed and changing the estimates used to determine the second site's recoverable amount. An impairment review performed in 2015 resulted in an impairment charge of £2,410,000 whereby the goodwill balance in relation to Structherm was fully impaired.

PART 9 OPERATING AND FINANCIAL REVIEW

This Part 9 (Operating and Financial Review) of this Prospectus should be read in conjunction with Part 2 (Presentation of Financial and Other Information), Part 5 (Industry Overview), Part 6 (Business of the Group) and Part 11 (Historical Financial Information) of this Prospectus. Prospective investors should read the entire Prospectus and prospective investors should not only rely on the summary set out below. The financial information considered in this Part 9 (Operating and Financial Review) of this Prospectus is extracted from the financial information set out in Section B of Part 11 (Historical Financial Information) of this Prospectus. The consolidated financial statements referred to in this discussion have been prepared in accordance with (i) IFRS, (ii) the requirements of the Prospectus Directive Regulation and (iii) the Listing Rules.

The following discussion of the Group's results of operations and financial conditions contains forward-looking statements. The Group's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 (Risk Factors) and Part 2 (Presentation of Financial and Other Information) of this Prospectus. In addition, certain industry issues also affect the Company's results of operations and are described in Part 5 (Industry Overview) of this Prospectus.

1. OVERVIEW

Forterra is a UK leader in manufactured masonry products, with a unique combination of strong market shares in clay bricks and concrete blocks. The Group's manufactured masonry products are standardised and usually produced in high volumes. The Group's brick and block products are complemented by a well-rounded portfolio of bespoke construction products, which are primarily specified made-to-measure or customised products. The Group has industry recognised brands and its trusted range of clay and concrete products are used extensively within the construction industry. The Group's operating business segments comprise bricks, blocks and bespoke products.

For financial reporting purposes the Group combines its operating segments into two reporting segments: bricks and blocks and bespoke products.

The Group generated revenue of £290.2 million in 2015, 75.1%, or £218.0 million, attributed to the sale of bricks and blocks, 25.4%, or £73.7 million, attributed to the sale of the Group's bespoke products and £1.5 million relating to intersegment trading eliminated on consolidation.

2. CURRENT TRADING AND PROSPECTS

Early trading in 2016 has been encouraging, with growth in lead indicators such as sales of precast concrete flooring and aircrete, higher sales to major house builders and an increasing brick book order. This growth has been offset to a degree by slower sales of soft-mud and extruded bricks to merchant yards due to stockists starting the year with high levels of inventory which are expected to unwind in the first half of 2016. Sales of Fletton bricks have been strong in the year to date, providing confidence in the RMI market.

The Directors believe that revenue growth in 2016 is expected to benefit from the positive outlook for UK housing, the winding down of customer destocking and continuing reduction in imports which were a feature of 2014 and 2015 due to a perceived shortage of supply of bricks in the United Kingdom market. The Directors believe that housing completions are expected to continue to grow steadily which, in turn, are expected to result in growing demand for the Group's manufactured masonry products. In addition, with the return to production of previously mothballed domestic production capacity, the Directors expect the volume of brick imports to decline progressively from the unusually high levels of 2014 and 2015 and move towards long-term historic levels.

Incremental manufacturing capacity and efficiency projects were successfully delivered to plan in late 2015 and early 2016 and the Directors believe that the Group is now competitively well-positioned in the market with available brick manufacturing capacity and inventory on hand to meet customer requirements.

3. PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The principal factors influencing the Group's results of operations are trends in the construction industry in the United Kingdom and general macroeconomic conditions, prices charged for the Group's products, capacity management, production efficiency and utilisation of the facilities, the costs of raw materials and packaging, energy expenses, distribution costs and the impact of the Lone Star Acquisition.

Trends in the UK construction industry and general macroeconomic conditions

The Group operates within the UK building products market and therefore demand for the Group's products is directly related to the level of construction activities in the United Kingdom, comprising residential new build construction, residential RMI construction and commercial construction activities. The level of residential new build activity in the United Kingdom has historically performed in line with broader economic cycles, and has been influenced by mortgage availability, interest rates, inflation, unemployment levels, household formation rates, population growth, gross domestic product, UK Government policies and initiatives and other macroeconomic factors. Although these factors may not impact the residential RMI construction sectors to the same extent as the residential new build construction sector, the Directors believe that consumer confidence does affect residential RMI expenditure and demand for the Group's products. Commercial construction activity is primarily driven by business investment, availability of finance and interest rates, as well as the same economic fundamentals as for the residential construction industry.

The Directors estimate that in 2015 approximately 55% of the Group's revenue was generated from residential new build construction activities, 40% was generated from residential RMI activities, with the remaining 5% generated from commercial construction activities.

The Group principally derives its revenue from the sale of its clay bricks and concrete blocks, which accounted for 75.1% of the Group's revenue in 2015 (before intersegment eliminations), to the residential new build and RMI construction markets in the United Kingdom. Activity in the residential new build market is generally measured by the number of housing starts and housing completions. Following a dramatic decline in the number of housing starts and housing completions in Great Britain as a result of the financial crisis, the rate of housing completions continue to be below the number of household formations, as further described in Part 5 (*Industry Overview*) of this Prospectus, which the Directors believe has caused a structural undersupply of housing in the United Kingdom. In response to the undersupply and increase demand for housing in the United Kingdom, the UK Government introduced a number of policies and initiatives to seek to stimulate UK housing supply, such as Help to Buy, which was introduced in 2013, the Starter Home initiative and the Right to Buy scheme, as further described in Part 5 (*Industry Overview*) of this Prospectus. More recently, in its November 2015 Spending Review, the UK Government sought to further boost the UK housing market by the introduction of further policies and initiatives. The ONS projects that the UK population will increase by 9,700,000 over the next 25 years and that England will require a further 290,000 homes per annum from 2011 to 2031 to meet future demand and tackle existing unmet requirements. In 2014, aggregate housing completions in Great Britain totalled 139,698 units according to the CPA. The CPA forecasted that total housing completions in 2015 in Great Britain would reach 152,201 units, a 9% increase from the previous year. The CPA expects British housing completions to continue to grow at a rate of 4% per annum for the period to 2018. However, the projected rate of housing completion still lies below the estimated level of UK household formations therefore the Directors believe that a further increase in housing supply will be required in order to satisfy the projected rate of UK household formation. For further information on the UK construction market, including the UK Government's housebuilding and home buying policies and initiatives, please refer to Part 5 (*Industry Overview*) of this Prospectus.

As a result of the above, the Group's operating results in 2013, 2014 and 2015 were impacted by volume changes, the cost of increasing output and bringing mothballed facilities back online, as discussed below.

Pricing

The Group generally sets prices on an annual basis, taking into account anticipated market demand for its products, the rates of inflation and the possibility that any price increase may result in its customers choosing to be supplied by an alternative supplier or an alternative product altogether.

The Group made modest increases to prices across its brick and block products in 2013, whilst significant price increases were made across its brick and block products in each of 2014 and 2015. This was partly in response to a growing UK construction market, but also reflected a correction in the Group's brick prices following a period of limited price increases over the preceding six years. Due to a perceived capacity constraint in the UK brick market, price increases of the Group's brick products were the single biggest driver of increased revenues during the period under review. The Group's brick price increases were similar to those of the UK brick industry as a whole, which the Directors believe increased by an average of approximately 16% in both 2014 and 2015, driven by strong demand and inflation. The Group's Fletton brick is a premium priced product with a captive RMI market and which the Directors believe represents a premium of 60% to 80% compared to the price paid by

consumers for the national average standard brick. Prices of the Group's Fletton bricks remained resilient during the period under review due to their premium positioning and strong demand for the product. Prices of the Group's aircrete blocks increased in line with the Group's brick products during the period under review, whilst prices of the Group's aggregate blocks increased to a lesser extent.

Marginal price increases were seen across the Group's bespoke product segment during the period under review, primarily as the market is fragmented, with a number of smaller competitors and significant unutilised production capacity. In 2014, the Group started manufacturing concrete beams at its Somercotes facility, which were previously manufactured only at its Hoveringham facility, to meet increased demand for the Group's New Jetfloor product. The increased sales of Jetfloor contributed to the increase in the Group's revenue in its bespoke products reporting segment.

The Directors believe that the Group's future results of operations will be driven by increased sales volumes due to the favourable housing market discussed in Part 5 (*Industry Overview*) of this Prospectus, rather than significant price increases of its products, similar to those seen in the period under review.

Capacity management, production efficiency and utilisation

The Group's ability to manage both manufacturing capacity and facility efficiency has a meaningful and direct impact on the Group's operating results. Utilisation levels affect operating results because the Group maintains a cost base which includes elements that remain relatively constant in the short to medium-term regardless of production output. These costs include labour, repair and maintenance and rent and rates. In 2013, 2014 and 2015, these costs amounted to 32.7%, 37.5% and 43.0% of the Group's total cost of sales, respectively. Therefore, the Group's future operating results will be directly affected by the Group's ability to maintain or increase current utilisation levels and facility efficiency.

Prior to the period under review

In response to the financial crisis, UK manufactured masonry industry participants reduced production capacity and stocks across the majority of their product categories. As part of its pre-economic downturn strategy and in response to decreased demand for its products during the financial crisis, particularly its brick and block products, the Group streamlined its manufacturing footprint by reducing the number of its operational manufacturing facilities from 38 to 16, mothballing its brick manufacturing facilities at Accrington and Cloughton and retaining but closing its brick manufacturing facilities at Swillington and Clockhouse, to preserve optionality to increase the Group's brick production capacity in the future. While closing or mothballing a facility can be done quickly, it usually takes a substantially longer period of time to reopen a facility, restart the kiln and bring production back up to prior efficiency levels – sometimes in excess of six months. Furthermore, the development or modernisation of a facility with the requisite planning permissions in place can take up to three years, without any preparatory capital expenditure. The Group therefore takes a measured approach when deciding to close or mothball manufacturing facilities based on industry capacity and demand.

As part of the same investment strategy, the Group invested significant sums in building new, larger and more efficient facilities, such as its brick manufacturing facility at Measham and its aggregate block manufacturing facility at Whittlesey. The Measham facility, which opened in 2009, is a state-of-the-art soft mud brick facility, is fully automated and is the largest and most modern of its kind in the United Kingdom. The Measham facility has capacity to produce up to 105 million bricks per annum² and replaced three of the Group's obsolete and inefficient facilities at Measham, Clockhouse and Tilmanstone, which had a combined aggregate annual production capacity of 97 million bricks. In 2008, the Group opened its new purpose-built aggregate block and concrete block paving facility at Whittlesey, strategically located in the South East and East of England, where the Group enjoys strong sales, and adjacent to one of the Group's clay quarries where it excavates a proportion of the required sand and gravel for the manufacture of its aggregate blocks. The Whittlesey facility has an annual production capacity of 175,000 m³ aggregate blocks and replaced a number of old and inefficient block manufacturing facilities which together had a production capacity of 60,000 m³ aggregate blocks per annum.

In addition to restructuring its manufacturing facilities, the Group has also introduced other efficiency and cost-saving initiatives during the period under review. The Group streamlined its product offering by reducing the number of products in its range in line with customer demand. This reduced production downtime caused by switching production between products, whilst retaining optionality to increase the product range should customer demand change.

² In 2009 the Measham facility had an annual brick production capacity of approximately 86 million bricks, which was increased in January 2016 to 105 million bricks, following the extension of the kiln, as described below.

During the period under review

In 2013, the Group recommissioned its mothballed extruded brick facility at Claughton, which came back on line in 2014, and, in 2014, the Group recommissioned its mothballed extruded brick facility at Accrington, which came back online in at the start of 2015. In 2014, the Group also installed new equipment at its Somercotes facility for the manufacture of its precast concrete beam flooring products.

During the period under review, the Group also introduced the sophisticated Intouch production monitoring equipment at its significant manufacturing facilities, which has reduced manufacturing downtime and increased capacity utilisation, operational productivity and product quality.

As a result of closing smaller facilities and investing in larger, modern and more efficient facilities, as well as the implementation of other efficiency initiatives, the Group's average annual brick production capacity per facility increased between 2007 and 2015 from 53 million to 61 million, an increase of 15%, which the Directors estimate is 41% and 17% higher than the respective average annual brick production capacity per facility of two of the Group's key competitors.

In 2015, the Group incurred capital expenditure of £13.9 million, which included investment in its facilities at Measham, Hams Hall, Accrington and Hoveringham. The Group extended the kiln and introduced new steam technology to inject moisture into clay at its brick manufacturing facility at Measham, which was completed in January 2016, modernised and expanded its aircrete block facility at Hams Hall, installed a new packing machine at its Accrington facility and installed new concrete casting equipment at its precast concrete facility at Hoveringham, each of which was completed in December 2015. These improvements increased the Group's annual brick production capacity by 19 million, or 4% of the Group's then annual brick production capacity, and increased the Group's aircrete block production capacity by 4% per annum (33,000 m³ per annum). The Directors expect that the improvements implemented at the Group's Accrington and Hoveringham facilities to reduce operational costs by approximately, in aggregate, £0.6 million per annum (assuming full output at the relevant facilities).

Post the period under review

The Directors believe the increase in the Group's capacity and efficiency as a result of the initiatives described above positions the Group to take advantage of increasing demand for the Group's brick and block products. Furthermore, the Directors believe that there are other opportunities available to the Group, including the potential redevelopment of its closed sites, which underpins its long-term growth.

In the short-term, the Group has identified three smaller de-bottlenecking projects which will provide the Group with the opportunity to increase production at its extruded brick facilities at Claughton, Desford and Accrington by making improvements to the gas supply, kilns or dryers. The Directors estimate that these improvements would require only small amounts of capital investment of approximately £3.0 million, £3.5 million and £2.5 million, respectively, but together could provide the Group with additional annual production capacity of 25 million extruded bricks.

In the medium-term, the Group has the potential to increase its annual brick production capacity by 18% (based on the Group's existing annual brick production capacity), or an estimated 100 million bricks, by building a new manufacturing facility at its site at Swillington, near Leeds. The site has the requisite planning permissions in place to build a new state-of-the-art, efficient and low cost extruded brick manufacturing facility to complement the Group's soft mud brick facility at Measham, with the benefit of approximately 26 years of clay reserves. In 2016, the Group intends to invest £0.5 million in preparatory design work at the site in order to reduce the overall facility construction time to two years if and when an investment decision is made. The Directors believe that the Group has production capacity and inventories sufficient to meet near term forecast market growth, therefore a decision to proceed with the development of Swillington is unlikely to be taken before the end of 2017 without a material and sustained increase in brick demand. The Directors estimate that the facility would cost £58 million to build.

In the longer term, the Group has the potential to develop its site at Clockhouse in Surrey. The Group has the requisite planning permissions in place to operate the existing brickworks at Clockhouse and, with appropriate permission variations, could redevelop the site into a modern, highly efficient and low cost soft mud brick manufacturing facility. The Directors estimate that the Group also has over 30 years of clay resources at Clockhouse, with planning permission for the extraction of approximately 18 years of clay reserves. Once fully operational, the facility would provide the Group with an estimated annual soft mud brick production capacity of

45 million. The Directors estimate that the site would cost £30 million to develop over two years (with the relevant preparatory work) once a final investment decision is taken, which the Directors expect is unlikely before 2020.

The Directors believe the increase in the Group's capacity and efficiency as a result of the initiatives described above, as well as other opportunities at its existing facilities and sites, positions the Group to take advantage of increased demand for the Group's brick and block products. In addition to increased capacity, new and improved facilities often generate other cost savings. Typically manufacturing costs go down because the newly installed equipment is more energy efficient. If the facilities' production line becomes partially or fully automated, labour costs will usually decrease as well. Finally, as the equipment is newer, repair and maintenance costs tend to decrease in the short-term.

Cost of raw materials and packaging

The Group's raw material and packaging costs amounted to £54.5 million, or 24.1% of revenue, in 2013, £61.5 million, or 23.0% of revenue, in 2014 and £65.1 million, or 22.4% of revenue, in 2015.

The cost of raw materials and packaging constitutes a substantial proportion of the Group's manufacturing costs, comprising 33.5%, 36.7% and 38.8% of the Group's total cost of sales in 2013, 2014 and 2015, respectively. The Group's cost of raw materials and packaging therefore has a direct impact on the Group's results of operations.

Key raw materials for the manufacturing of the Group's brick products are clay and shale, approximately 93% of which is excavated from the Group's quarries. Save for the extraction of clay and shale at the Group's Kings Dyke and Kirton quarries, which represented approximately 38% of the Group's usage in 2015, extraction of clay and shale at the Group's quarries is subcontracted. The Group's aircrete blocks are manufactured using cement and PFA, while the Group's aggregate blocks are manufactured using cement and aggregates, such as sand, gravel, crushed limestone and recycled materials. The Group currently sources the majority of its cement, cementitious products and aggregates from the HeidelbergCement Group pursuant to the terms of the Heidelberg Aggregates Supply Agreement and the Heidelberg Cement Supply Agreement (as further described in paragraphs 12.13 and 12.14 of Part 14 (*Additional Information*) of this Prospectus).

PFA, which is used to manufacture the Group's aircrete blocks, is a by-product of the combustion of coal in coal-fired power plants which the Group currently primarily sources from three UK coal-fired power stations, Drax, Rugeley and Ratcliffe. Due to more stringent environmental regulations and the availability of alternative fuel sources such as biomass, the number of operational coal-fired plants in the United Kingdom has been declining and the Directors expect this decline to continue over time. This is expected to result in reduced PFA production in the United Kingdom and an increase in the cost of PFA. In response, the Group has, for some time, been considering alternative strategies, including importing PFA, to ensure continuity of supply, whether of dry PFA, conditioned or reclaimed PFA or other substitutes. It has recently been announced that Rugeley power station will close in the summer of 2016 and the Directors believe that the coal burning units at Drax power station and Ratcliffe power station may close in the medium to longer term. Since the announcement of the Rugeley closure, the Group has made arrangements to secure a substantial proportion of its PFA requirements from other UK coal-fired stations, including Drax, and has decided to incur capital expenditure of approximately £0.5 million at its Hams Hall aircrete facility during a scheduled downtime in May 2016 to allow the Group to use a higher proportion of conditioned PFA in the raw material mix when producing aircrete blocks at the facility. Furthermore, the Directors estimate that in 2016 its costs of sales will increase as a result of an increase in the cost of PFA and an increase in the cost of transporting PFA from an alternative supplier.

For additional information on the Group's clay reserves and the raw materials used in the manufacture of the Group's products, please refer to paragraph 10 of Part 6 (*Business of the Group*) of this Prospectus.

Energy expenses

The Group's energy expenses amounted to £20.3 million, or 9% of revenue, in 2013, £20.8 million, or 7.8% of revenue, in 2014 and £18.7 million, or 6.4% of revenue, in 2015.

The Group uses significant amounts of energy, including natural gas and electricity, in the manufacture of its products and energy costs are a meaningful component of the Group's cost of sales, comprising 12.5%, 12.4% and 11.2% of the Group's total cost of sales in 2013, 2014 and 2015, respectively. The price of energy declined during the period under review, however, the Group's energy costs remained generally flat as a percentage of the Group's cost of sales during 2013 and 2014, with a slight decline in 2015. The Group's energy usage increased during the period under review due to the Group's increased production output at its facilities in order to build

stocks across the majority of its product ranges, particularly its brick and block products, to enable it to meet both current demand and the expected increase in demand for bricks in the future and better serve its customers. The Group was therefore able to capitalise on low energy prices during the period under review at a time of increased production output at its facilities.

The HeidelbergCement Group secured the price of energy used by the Group in the period under review through forward purchase contracts when prices were low to provide the Group with greater flexibility. The Group has secured the price of approximately 75% of the natural gas for use in its operations during 2016 through forward purchase contracts and may secure the price of energy for use by the Group in its operations in the future. The Group hires advisers to consult on trends in the energy markets and related price fluctuations to help set the Group's strategy for addressing energy costs.

Distribution costs

The Group's distribution costs amounted to £39.8 million, or 17.6% of revenue, in 2013, £42.3 million, or 15.8% of revenue, in 2014 and £45.3 million, or 15.6% of revenue, in 2015. The Group's delivery expenses account for a substantial amount of the Group's distribution costs, comprising 64.7%, 68.1% and 65.7% of the Group's total distribution costs in 2013, 2014 and 2015, respectively. The Group's delivery expenses include the cost of operating and maintaining its fleet of 125 delivery vehicles, the cost of employing vehicle drivers and the cost of third party hauliers. The Group delivers approximately 60% of its bricks and blocks to its customers using its fleet of crane-equipped delivery vehicles. The remainder of the Group's bricks and blocks are delivered predominantly by subcontracted third party hauliers, with the remainder being collected by the Group's customers at the Group's facilities. The Group's bespoke products are all transported by third party hauliers. The Group leases all of the vehicles in its fleet. The Group is directly exposed to increases in fuel prices as a component of the Group's distribution costs.

Impact of the Lone Star Acquisition

The Group was acquired by Lone Star, through the Selling Shareholder, on 13 March 2015. In 2014, the Group incurred transaction costs of £7.6 million relating to non-recurring professional fees in respect of legal, accounting and auditing services provided in connection with the Lone Star Acquisition.

As further described in Part 2 (*Presentation of Financial Information*), prior to 1 September 2014, the Group had no trading activities and therefore the historical financial information of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 has been prepared on a combined and consolidated basis. Prior to the Lone Star Acquisition, the HeidelbergCement Group provided the Group with corporate and shared services, such as executive senior management, financial reporting, financial planning and analysis, accounting, information technology, tax, risk management, treasury, legal, human resources, land management and strategy and development, and charged £10.0 million in 2013, £10.6 million in 2014 and £1.8 million in the period from 1 January 2015 to 13 March 2015 for such services.

Following the Group's separation from the HeidelbergCement Group in March 2015, the corporate and shared services described above were partly provided by the HeidelbergCement Group pursuant to the terms of the Heidelberg TSA (as further described in paragraph 12.12 of Part 14 (*Additional Information*) of this Prospectus) and the Group incurred costs of £2.9 million in 2015 in connection with such transitional services.

In 2015, as a result of the Lone Star Acquisition, the Group's labour costs increased by £1.3 million as the Group was required to employ individuals to provide the services previously provided by the HeidelbergCement Group. Furthermore, in 2015, the Group was required to lease new office space which had been previously provided by the HeidelbergCement Group. In 2016, the Group appointed a third party service provider to provide information technology systems to the Group that were previously provided pursuant to the terms of the Heidelberg TSA. The Directors believe that the Group has replaced the majority of the functions previously provided by the HeidelbergCement Group, but that further costs may be incurred in 2016 in respect of the replacement of such shared services.

4. KEY COMPONENTS OF THE GROUP'S INCOME STATEMENT

The following is a brief description of the principal components of the Group's consolidated income statement.

Revenue

The Group generates revenue from three operating segments: the manufacture and sale of its brick products, its block products and its bespoke products, in each case, to the construction market in the United Kingdom. For

financial reporting purposes, however, the Group combines its operating segments into two reporting segments, its bricks and blocks business and its bespoke products business. The combination of the Group's bricks and blocks businesses is due to these operating segments having similar long-term average cost margins, production processes, suppliers, customers and distribution methods. Revenue is generated from sales of the Group's products to the Group's customers in the residential new build and RMI and commercial construction markets. Revenues represent the Group's sales after accounting for any rebates.

Cost of sales

The Group's raw material and packaging costs and the Group's direct labour production costs generally comprise more than half of its cost of sales. Other significant costs include change in inventories, energy expenses, repair and maintenance costs, costs relating to the hire of equipment, rents and rates of the facilities, direct depreciation and amortisation and the exceptional costs relating to the deficit reduction contributions that the Group paid to the HeidelbergCement Group's defined benefit pension scheme.

Distribution costs

The Group's distribution costs include the delivery of the Group's products to its customers, either by the Group's fleet of delivery vehicles or by third party hauliers. A significant amount of the Group's distribution costs relate to the Group's delivery expenses, being the cost of delivery of its products by third party hauliers, the direct cost of leasing, repairing and maintaining its fleet and the cost of fuel used its delivery vehicles, together with the labour costs associated with the delivery vehicle driver. Distribution costs also include the costs of the Group's sales, marketing and customer service functions which are primarily labour related.

Administrative expenses

The Group's administrative expenses include labour costs not directly tied to manufacturing or distribution, including costs related to legal, accounting and finance services, human resources, treasury and other general corporate services. Administrative expenses also include a number of exceptional costs, such as transaction costs relating to the Lone Star Acquisition, the Offer and Admission, restructuring costs and impairment expenses.

Other operating income

The Group's other operating income includes rental income from the lease of agricultural land not presently required for current clay extraction and similar activities, profit or loss from the disposal of its fixed assets and any other income. Other operating income is reported net of any expenses for these activities.

Net finance expense

Finance expenses include interest payable on the Group's borrowings, being the HC Loan Note and the Existing Loan Note, and other finance expenses including direct issue costs, foreign exchange losses and costs related to the unwinding of discount on long-term provisions. Finance expense is reported net of any interest income generated on bank balances.

Income tax expense

Income tax comprises current and deferred tax. The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined and consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability, where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

5. RESULTS OF OPERATIONS

The following table sets out financial information derived from the consolidated income statement of the Group for the years ended on 31 December 2013, 31 December 2014 and 31 December 2015.

Consolidated Income Statement Data

	For the year ended 31 December			Percentage increase/decrease	
	2013	2014	2015	2013 – 2014	2014 – 2015
	£000s	£000s	£000s	%	%
Revenue	225,862	268,073	290,220	18.7	8.3
Cost of sales	(162,666)	(167,735)	(167,669)	3.1	0.0
Gross profit	63,196	100,338	122,551	58.8	22.1
Distribution costs	(39,818)	(42,281)	(45,296)	6.2	7.1
Administrative expenses	(22,977)	(20,491)	(28,225)	(10.8)	37.7
Other operating income	1,481	1,110	505	(25.1)	(54.5)
Operating profit	1,882	38,676	49,535	1,955.0	28.1
EBITDA before exceptional items	22,258	54,620	70,531	145.4	29.1
Less exceptional items	(9,757)	(6,543)	(11,569)	(32.9)	76.8
Less depreciation and amortisation	(10,619)	(9,401)	(9,427)	(11.5)	0.3
Operating profit	1,882	38,676	49,535	1,955.0	28.1
Net finance expense	(369)	(5,261)	(27,335)	1325.7	419.6
Profit before tax	1,513	33,415	22,200	2,108.5	(33.6)
Income tax expense	(3,062)	(9,260)	(4,155)	202.4	(55.1)
(Loss)/profit for the financial period	(1,549)	24,155	18,045	(1,659.4)	(25.3)

Comparison of years ended 31 December 2015 and 31 December 2014

Revenue

Revenue increased by £22.1 million, or 8.3%, to £290.2 million in 2015 from £268.1 million in 2014. Increases in the sale prices of the Group's bricks and blocks were the largest contributor to this increase. The Group's brick price increases were similar to those of the UK brick industry as a whole, which the Directors believe increased by approximately 16% year on year, driven by strong demand, particularly at the start of 2015 due to a perception of limited availability of bricks in the UK market. Block prices also increased, but the Group's bespoke products saw only marginal price increases in line with inflation.

Price increases were partially offset by sales of fewer bricks in 2015, which the Directors believe was due primarily to the Group's customers overstocking with bricks in 2014 and the start of 2015, particularly with imports from continental Europe, due to a perceived shortage of supply of bricks in the UK market during the same period. At the same time, UK manufacturers brought their mothballed capacity back on line, which can take up to six months. The Directors believe that in the second half of 2015 the Group's customers reduced their brick stocks as well as utilised previously committed brick purchases from continental Europe, leading to fewer brick purchases from UK manufacturers. In 2014 and 2015, the Group, as well as other UK industry participants, brought mothballed capacity back online, increased its brick stocks to better serve customers' needs in the future.

Revenue by reporting segment

The table below sets out the Group's revenue by its two reporting segments: bricks and blocks and bespoke products for 2014 and 2015.

	For the year ended 31 December				
	2014		2015		2014 – 2015
	£000s	% of total revenue	£000s	% of total revenue	% increase/decrease
Bricks and Blocks	201,055	75.0	218,018	75.1	8.4
Bespoke Products	68,388	25.5	73,739	25.4	7.8
Intersegment elimination	(1,370)	(0.5)	(1,537)	(0.5)	12.2
Total	268,073	100.0	290,220	100.0	8.3

Bricks and Blocks

In 2015, the sale of the Group's bricks and blocks generated £218.0 million of revenue, accounting for 75.1% of the Group's total revenue, compared to £201.1 million of revenue accounting for 75.0% of the Group's total revenue in 2014, an increase of £17.0 million, or 8.4% (before intersegment eliminations). This increase in segment revenues was attributable to the price increases noted above.

Sales of bricks and blocks in 2015 accounted for 61.7% and 38.3%, respectively, of total brick and block revenue, and 63.2% and 36.8%, respectively, of total brick and block revenue in 2014 (before intersegment eliminations).

Bespoke Products

The Group's bespoke products generated £73.7 million of revenue in 2015, or 25.4% of the Group's total revenue, compared to £68.4 million of revenue, or 25.5% of the Group's total revenue, in 2014, an increase of £5.4 million, or 7.8% (before intersegment eliminations). This increase in bespoke products revenue was primarily the result of increased volume, especially in the Group's precast concrete products, and, to a lesser extent, by price increases. The increased volume was due primarily to the introduction of new capacity at the Group's Somercotes facility for the manufacture precast concrete beams and increased demand for the Group's New Jetfloor product.

The sale of the Group's precast concrete products generated 74.9% of bespoke products revenue in 2015, whilst the remaining 25.1% was attributed to the sale of the Group's concrete block paving products, chimney and roofing solutions and structural external wall insulation products. In 2014, the sale of the Group's precast concrete products generated 72.6% of bespoke products revenue, whilst the remaining 27.4% was attributed to the sale of the Group's concrete block paving products, chimney and roofing solutions and structural external wall insulation products.

Cost of sales

Cost of sales remained flat between 2014 and 2015, amounting to £167.7 million in both years.

	For the year ended 31 December				
	2014		2015		2014 – 2015
	£000s	% of total cost of sales	£000s	% of total cost of sales	% increase/decrease
Cost of sales					
Labour – direct	45,352	27.0	49,886	29.8	10.0
Raw materials and packaging costs	61,540	36.7	65,085	38.8	5.8
Change in inventories	(2,257)	(1.3)	(10,304)	(6.1)	356.5
Energy expenses	20,787	12.4	18,718	11.2	(10.0)
Repair and maintenance costs	17,002	10.1	21,414	12.8	25.9
Hire of equipment	5,875	3.5	6,306	3.8	7.3
Overheads – exceptional items	2,854	1.7	—	0.0	—
Rents and rates	719	0.4	728	0.4	1.3
Other production costs	6,533	3.9	6,794	4.1	4.0
Total cost of sales before depreciation	158,405	94.4	158,627	94.6	0.1
Depreciation and amortisation – direct	9,330	5.6	9,042	5.4	(3.1)
Cost of sales	167,735	100.0	167,669	100.0	0.0

Labour costs of the Group increased by 10.0% in 2015, from £45.4 million in 2014 to £49.9 million in 2015. This increase was primarily attributable to increased production in the Group's brick business, with the Accrington facility coming back on line in January 2015, and the full year impact of increases in production at other facilities during 2014.

The Group's raw materials and packaging costs increased by 5.8%, or £3.5 million, in 2015, from £61.5 million in 2014 to £65.1 million in 2015. This increase was largely as a result of the increases in production discussed above.

The Group's changes in inventories increased from a £2.3 million credit in 2014 to a £10.3 million credit in 2015, driven by an increase in inventories. This change was largely the result of the Group increasing brick stocks in order to be able to respond to customer demand for bricks as the UK housing market continues to recover. The Directors believe that as the Group increases its brick stocks, its customers will no longer feel required to rely on brick imports from continental Europe. Furthermore, the Group has aimed to capitalise on reduced energy prices and maximise utilisation of capacity at its facilities by building brick stocks to meet both current demand and the expected increase in demand for bricks in the future. Although brick inventories increased in both 2014 and 2015, the Group's brick inventories had reached an exceptionally low level by the end of 2013 and therefore the recent increases were initiated in order to return the Group's brick inventories to more normal levels.

The Group's energy costs decreased by 10.0% in 2015, from £20.8 million in 2014 to £18.7 million in 2015. Although the Group benefited from lower energy prices in 2015, as noted above, the Group increased production output at its facilities in order to build inventories and meet customer demand and, as such, the savings resulting from lower energy costs were partially offset by increased energy usage.

The Group's repair and maintenance costs increased by 25.9%, or £4.4 million, in 2015, from £17.0 million in 2014 to £21.4 million in 2015. This increase was largely as a result of increases in production at the Group's facilities, including the re-opening of the Group's Accrington facility, together with the full-year impact of production increases in 2014 and an increase in preventative maintenance spend at the Group's facilities to enable them to operate at high utilisation levels. In addition, maintenance work was carried out at the Measham facility in conjunction with the capacity increase project and certain repair and maintenance work was rescheduled in line with the planned facility upgrades at the Group's facilities at Measham, Hams Hall, Accrington and Hoveringham.

Costs relating to the Group's equipment hire increased by 7.3%, or £0.4 million, in 2015, from £5.9 million in 2014 to £6.3 million in 2015. This increase was largely as a result of increased sales of the Group's hollowcore flooring, which requires the Group to hire cranes for its installation.

In 2015, the Group incurred no exceptional costs of sales. In 2014, the Group incurred exceptional costs of sales totalling £2.9 million in respect of deficit reduction contributions for a defined benefit pension scheme operated by UK subsidiaries of the HeidelbergCement Group for which the Group has no ongoing funding obligations. Please refer to paragraph 8 of Part 14 (*Additional Information*) of this Prospectus for further information relating to the Group's pension obligations.

Cost of sales as a percentage of revenue decreased by 7.7% between 2014 and 2015, from 62.6% in 2014 to 57.8% in 2015.

Distribution costs

Distribution costs increased by £3.0 million, or 7.1%, to £45.3 million in 2015 from £42.3 million in 2014. This increase was due primarily to increased sales activity across the Group's range of products, in conjunction with which the Group increased the number of its delivery vehicles by 30, from 95 in 2014 to 125 in 2015, and recruited a similar number of additional drivers.

Administrative expenses

Administrative expenses increased by £7.7 million, or 37.7%, to £28.2 million in 2015, from £20.5 million in 2014 due primarily to an £8.4 million increase in exceptional administrative expenses. Administrative expenses excluding exceptional items reduced by £0.7 million from £17.3 million in 2014 to £16.6 million in 2015.

In 2015, the Group incurred exceptional administration expenses totalling £11.6 million. These exceptional expenses included £5.1 million in professional fees related to legal, accounting and auditing services in connection with the Offer and Admission, £4.0 million related to costs of separation from the HeidelbergCement

Group in connection with the Lone Star Acquisition, including rebranding costs, IT separation costs and recruitment of staff for back office functions, and £2.4 million in impairment expenses relating to goodwill held in respect of the business of Strutherm.

In 2014, the Group incurred exceptional administration expenses totalling £3.2 million. These exceptional expenses included £7.6 million in professional fees related to legal, accounting and auditing services in connection with the Lone Star Acquisition and a £1.2 million charge in respect of deficit reduction contributions for a defined benefit pension scheme operated by UK subsidiaries of the HeidelbergCement Group for which the Group has no ongoing funding obligations. In 2014, the Group also benefited from a restructuring and impairment credit totalling £5.5 million, which related to releases of previously recognised impairments associated with the reopening of the Group's Accrington facility and also changes in estimates of the recoverable amounts at other facilities.

Other operating income

Other operating income decreased by £0.6 million to £0.5 million in 2015 from £1.1 million in 2014, primarily as a result of movements in the Group's restoration and teardown provisions, together with a decline in rental income.

Net finance expense

Net finance expense increased by £22.1 million, or 419.6%, to £27.3 million in 2015 from £5.3 million in 2014. This increase was due primarily to a full year's interest being payable on the HC Loan Note and the Existing Loan Note (which replaced the HC Loan Note on 13 March 2015), as well as an increase in the rate of interest on the Existing Loan Note from GBP LIBOR plus a margin of 2.5% per annum to a fixed 8% per annum, with effect from 31 March 2015. Further details of the Group's borrowings are set out in paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus.

Profit before tax

As a result of the foregoing, the Group achieved a profit before tax of £22.2 million in 2015, a decrease of £11.2 million, or 33.6%, from £33.4 million in 2014.

Income tax expense

The Group recorded an income tax expense of £4.2 million in 2015, compared to income tax expense of £9.3 million in 2014, a decrease of £5.1 million or 55.1%. The reduction in expense was primarily driven by a reduction in profit before tax.

Profit for the financial period

As a result of the foregoing, the Group achieved a profit after tax of £18.0 million in 2015, a decrease of £6.1 million, or 25.3%, from £24.2 million in 2014.

Comparison of years ended 31 December 2014 and 31 December 2013

Revenue

Revenue from the Group's operations increased by £42.2 million, or 18.7%, to £268.1 million in 2014 from £225.9 million in 2013. Increases in the sale prices for the Group's bricks and blocks were the largest contributor to the increase in revenues. The Group's brick price increases were similar to those of the UK brick industry as a whole, which the Directors believe increased by approximately 16% year on year, driven by strong demand. The Group also increased block prices, but the Group's bespoke products saw only marginal price increases, generally in line with inflation. Increased sales volumes across nearly all of the Group's product ranges, other than its chimney and roofing solutions, also contributed to the increase in the Group's revenues.

Revenue by reporting segments

The table below sets out the Group's revenue by its two reporting segments: bricks and blocks and bespoke products for 2013 and 2014.

	For the year ended 31 December				
	2013		2014		2013 – 2014
	£000s	% of total revenue	£000s	% of total revenue	% increase/decrease
Bricks and Blocks	163,425	72.4	201,055	75.0	23.0
Bespoke Products	63,515	28.1	68,388	25.5	7.7
Intersegment elimination	(1,078)	(0.5)	(1,370)	(0.5)	27.1
Total	225,862	100.0	268,073	100.0	18.7

Bricks and Blocks

In 2014, the sale of the Group's bricks and blocks generated £201.1 million of revenue, accounting for 75.0% of the Group's total revenue, compared to £163.4 million of revenue accounting for 72.4% of the Group's total revenue in 2013, an increase of £37.6 million, or 23.0% (before intersegment eliminations). This increase in segment revenues was attributable to the price increases noted above and increased sales volumes.

Within the bricks and blocks segment, sales of bricks and blocks in 2014 accounted for 63.2% and 36.8%, respectively, of total brick and block revenue and 63.4% and 36.6%, respectively, of total brick and block revenue in 2013 (before intersegment eliminations).

Bespoke Products

The sale of the Group's bespoke products generated £68.4 million of revenue in 2014, or 25.5% of the Group's total revenue, compared to £63.5 million of revenue, or 28.1% of the Group's total revenue, in 2013, an increase of £4.9 million, or 7.7% (before intersegment eliminations). This increase in bespoke products revenue was the result of increased volume, especially in the Group's precast concrete flooring, and, to a lesser extent, by price increases and a change in mix towards higher priced products.

The sale of the Group's precast concrete products generated 72.6% of bespoke products revenue in 2014, whilst the remaining 27.4% of bespoke products revenue was attributed to the sale of the Group's concrete block paving products, chimney and roofing solutions and structural external wall insulation products. In 2013, the sale of the Group's precast concrete products generated 69.7% of bespoke products revenue, whilst the remaining 30.3% of revenue was attributed to the sale of the Group's concrete block paving products, chimney and roofing solutions and structural external wall insulation products.

Cost of sales

Cost of sales increased by £5.1 million, or 3.1%, to £167.7 million in 2014, from £162.7 million in 2013. The increase was due primarily to increased production output across the Group's businesses to meet increased demand, partially offset by a favourable change in inventories.

	For the year ended 31 December				
	2013		2014		2013 – 2014
	£000s	% of total cost of sales	£000s	% of total cost of sales	% increase/decrease
Cost of sales					
Labour – direct	38,593	23.7	45,352	27.0	17.5
Raw materials and packaging costs	54,510	33.5	61,540	36.7	12.9
Change in inventories	8,524	5.2	(2,257)	(1.3)	(126.5)
Energy expenses	20,305	12.5	20,787	12.4	2.4
Repair and maintenance costs	13,475	8.3	17,002	10.1	26.2
Hire of equipment	5,460	3.4	5,875	3.5	7.6
Overheads – exceptional items	4,425	2.7	2,854	1.7	(35.5)
Rent and rates	1,061	0.7	719	0.4	(32.2)
Other production costs	6,029	3.7	6,533	3.9	8.4
Total cost of sales before depreciation	152,382	93.7	158,405	94.4	4.0
Depreciation and amortisation	10,284	6.3	9,330	5.6	(9.3)
Cost of sales	162,666	100.0	167,735	100.0	3.1

Labour costs of the Group increased by £6.8 million, or 17.5%, in 2014, from £38.6 million in 2013 to £45.4 million in 2014. This increase was attributable to additional staff required in connection with increased production in the Group's bricks business to meet increased demand, with the Accrington and Cloughton facilities coming back on line, along with additional shifts being added at other brick manufacturing facilities. Also contributing to the increase was increased block production, with additional shifts being added to the Hams Hall facility, and increased precast flooring production.

The Group's raw materials and packaging costs increased by £7.0 million, or 12.9%, in 2014, from £54.5 million in 2013 to £61.5 million in 2014. This increase was largely as a result of the increased production noted above and to a lesser extent increased polystyrene costs.

The Group's changes in inventories decreased from a charge of £8.5 million in 2013 to a £2.3 million credit in 2014. This change was largely the result of a period of significant destocking in the Group's brick operations in 2013 as sales significantly exceeded the volume of bricks produced. In 2014, production and sales volumes were broadly matched across the Group's businesses.

The Group's energy expenses increased from £20.3 million in 2013 to £20.8 million in 2014. Although the Group benefitted from lower energy prices in 2014, as noted above, the Group increased production output at its facilities in order to build brick stocks across the majority of its product ranges, particularly its brick and block products, to enable it to meet both current demand and the expected increase in demand for bricks in the future and was therefore able to capitalise on low energy prices.

The Group's repair and maintenance costs increased by £3.5 million, or 26.2%, from £13.5 million in 2013 to £17.0 million in 2014. This increase was largely as a result of bringing the Cloughton facility back on line in 2014 and restoring the mothballed facility at Accrington, which was brought back on line in 2015.

Costs relating to the Group's equipment hire increased by 7.6%, or £0.4 million, in 2014, from £5.5 million in 2013. This increase was largely as a result of management's determination to increase repair and maintenance spending to improve site operating efficiencies and the quality of production capacity and increased sales of the Group's hollowcore flooring which requires the Group to hire cranes for its installation.

The costs of rent and rates relating to the Group's production facilities and quarries decreased by 32.2%, or £0.3 million, in 2014, from £1.1 million in 2013 to £0.7 million in 2014. This decrease was largely as a result of ratings reassessments at certain of the Group's facilities.

The Group's other production costs increased by 8.4%, or £0.5 million, in 2014, from £6.0 million in 2013 to £6.5 million in 2014. This increase was largely a result of the increased production described above.

In 2013 and 2014, the Group incurred exceptional costs of sales totalling £4.4 million and £2.9 million, respectively, in respect of deficit reduction contributions for a defined benefit pension scheme operated by UK subsidiaries of the HeidelbergCement Group for which the Group has no ongoing funding obligations.

Depreciation and amortisation decreased by 9.3%, or £1.0 million, in 2014, from £10.3 million in 2013 primarily as a result of a number of fully written down assets on the balance sheet as of the end of 2013.

Cost of sales as a percentage of total revenue decreased by 13.1% between 2013 and 2014, from 72.0% in 2013 to 62.6% in 2014.

Distribution costs

Distribution costs increased by £2.5 million, or 6.2%, to £42.3 million, in 2014 from £39.8 million in 2013. This increase was due to the increased sales volume noted above, partially offset by a decrease in sales and marketing costs.

Administrative expenses

Administrative expenses decreased by £2.5 million, or 10.8%, to £20.5 million, in 2014 from £23.0 million in 2013. This decrease was largely due to a reduction in exceptional administrative expenses of £2.2 million.

In 2013, the Group incurred exceptional administration expenses totalling £5.4 million, £1.5 million of which primarily related to charges in respect of a defined benefit pension scheme operated by UK subsidiaries of the HeidelbergCement Group, for which the Group has no ongoing funding obligations, and a £3.3 million expense relating to the impairment of plant and equipment and clay rights at one of the Group's brick facilities.

In 2014, the Group incurred exceptional administration expenses totalling £3.2 million, primarily related to the defined benefit pension scheme cost of £1.2 million referred to above, and £7.6 million in professional fees related to legal, accounting and auditing services in connection with the Lone Star Acquisition. In 2014, the Group also benefitted from a restructuring and impairment credit totalling £5.5 million, which related to releases of previously recognised impairments associated with the reopening of the Group's Accrington facility and also changes in estimates of the recoverable amounts at other facilities.

Other operating income

Other operating income decreased by £0.4 million, or 25.1%, to £1.1 million in 2014 from £1.5 million in 2013, primarily as a result of a loss recognised in connection with the disposal of certain of the Group's fixed assets, including surplus equipment and vehicles, partially offset by increased rental income.

Net finance expense

Net finance expense increased by £4.9 million, to £5.3 million in 2014, from £0.4 million in 2013. The increase was largely due to the issue by Forterra Building Products to a member of the HeidelbergCement Group of the HC Loan Note, as further described under the heading "*Borrowings*" in paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus. Interest that accrued on the HC Loan Note in 2014 was £4.1 million. In 2014, the Group also incurred other finance expenses of £1.1 million, which related to the unwinding of discounts pursuant to the termination of the sale of accounts receivable to certain third party banking institutions by the HeidelbergCement Group, as further described under the heading "*Off balance sheet arrangements*" in paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus.

Income tax expense

The Group recognised an income tax expense of £9.3 million in 2014, compared to an income tax expense of £3.1 million in 2013, an increase of £6.2 million, or 202.4%. The increase in taxes was due primarily to higher operating profit in 2014.

Profit for the financial period

As a result of the foregoing, the Group achieved a profit after tax of £24.2 million in 2014, compared to a loss of £1.5 million in 2013.

6. LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal sources of funds are cash flows generated from its operations, as well as the net proceeds made, or to be made available, under its funding arrangements (as further described in the paragraph entitled "*Borrowings*" in this paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus). The Group's ability to generate cash from its operations depends on its future operating performance, which is in turn dependent on the industry in which it operates and, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond the Group's control, as well as other factors discussed in Part 1 (*Risk Factors*) of this Prospectus.

As at 31 December 2015, the Group had total borrowings of £405.6 million, all of which was represented by the Existing Loan Note. On 20 April 2016, the Company entered into the New Loan Note. Pursuant to the terms of the Reorganisation (as further described in paragraph 3 of Part 14 (*Additional Information*) of this Prospectus), immediately prior to Admission, the Group will be released from its obligations under the terms of the Existing Credit Agreements and the Existing Security Documents and, following Admission, will use the proceeds made available under the New Facilities to repay all or part of the principal amount outstanding (together with interest accrued thereon) under the Existing Loan Note and the New Loan Note.

Following the completion of the Reorganisation and Admission, the Directors expect that the Group's principal sources of funds will be cash flows generated by its operations and by proceeds made available under the Revolving Credit Facility.

Further information concerning the impact of the Offer and the Reorganisation, including the drawdown of the New Facilities, on the Group's financial position is set out in Section A of Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus.

Historical cash flows

The following table sets out the Group's historical cash flow items for the periods indicated and has been extracted without material adjustment from the consolidated historical financial information set out in Section B of Part 11 (*Historical Financial Information*) of this Prospectus:

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Cash flows from operating activities			
Profit before taxation	1,513	33,415	22,200
Adjustments for:			
– Depreciation	10,018	9,101	9,118
– Amortisation	601	300	309
– Impairment expense/(credit)	3,300	(5,511)	2,410
– (Profit)/loss on disposal of fixed assets	(32)	474	(30)
– Net finance expense	369	5,261	27,335
– Non-cash movements on provisions	1,820	1,721	1,074
– Other non-cash items	—	—	690
Changes in working capital:			
– Inventories	8,524	(2,257)	(10,304)
– Trade and other receivables	13,581	(4,655)	(23,344)
– Trade and other payables	829	4,854	21,895
– Cash movement on provisions	(2,774)	(1,495)	(1,394)
Cash generated from operations	37,749	41,208	49,959
Interest paid	(83)	(4,138)	(26,401)
Tax paid	—	—	(3,306)
Net cash inflow from operating activities	37,666	37,070	20,252
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,814)	(4,973)	(12,421)
Purchase of intangible assets	(672)	(593)	—
Proceeds from sale of property, plant and equipment	66	228	58
Net cash outflow from investing activities	(3,420)	(5,338)	(12,363)
Cash flows from financing activities			
Capital distribution to parent and settlement of cash pooling balance	(33,824)	(24,565)	(4,678)
Net cash used in financing activities	(33,824)	(24,565)	(4,678)
Net increase in cash and cash equivalents	422	7,167	3,211
Cash and cash equivalents at the beginning of the period	13,389	13,811	20,978
Cash and cash equivalents at the end of the period	13,811	20,978	24,189

Net cash flows from operating activities

The primary source of the Group's cash flows is funds generated by its operating activities. The Group's net cash flows from operating activities primarily comprise the Group's profit for the year before taxation adjusted for depreciation, amortisation, impairment, profit or loss on the sale of fixed assets, net finance expense and non-cash movements on provisions, together with working capital movements, as well as interest and tax paid.

Net cash inflow from the Group's operating activities decreased by 45.4%, or £16.8 million, to £20.3 million in 2015, from £37.1 million in 2014. This decrease in net cash inflow from operating activities was due primarily to an increase of £22.3 million in interest paid in connection with the Existing Loan Note (as further described under the heading "*Borrowings*" in this paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus) and a £3.3 million increase in taxation paid by the Group as a result of the Lone Star Acquisition, as it was no longer able to benefit from group relief as part of the HeidelbergCement Group. Before taking

account of these items, cash generated from operations increased to £50.0 million in 2015, from £41.2 million in 2014 with an increase in operating profit being partially offset by an increase in working capital.

Net cash inflow from the Group's operating activities decreased by 1.6%, or £0.6 million, to £37.1 million in 2014, from £37.7 million in 2013. Cash generated from operations increased to £41.2 million in 2014 from £37.7 million in 2013 with an increase in operating profit being partially offset by increased working capital. There was an increase of £4.0 million in interest paid in connection with the HC Loan Note (as further described under the heading "*Borrowings*" in this paragraph 6 of this Part 9 (*Operating and Financial Review*) of this Prospectus).

Net cash flows used in investment activities

The Group's net cash flows used in investment activities primarily represented payments for the purchase of property, plant and equipment and the purchase of intangible assets, offset in part by cash received from the sale of plant, property and equipment.

Net cash outflow from the Group's investment activities in 2015 increased by £7.1 million, to £12.4 million, from £5.3 million in 2014. This increase was primarily the result of increased capital expenditure, including a total of £5.3 million relating to increasing production capacity at the Group's Measham and Hams Hall facilities.

Net cash outflow in the Group's investment activities in 2014 increased by 56.1%, to £5.3 million, from £3.4 million in 2013. This increase was primarily the result of bringing the Group's Claughton facility back on line in 2014 and restoring the mothballed facility at Accrington, which was brought back on line in 2015.

Net cash flows used in financing activities

Whilst the Group was under the ownership of the HeidelbergCement Group in 2013 and 2014, the net cash flows used in financing activities effectively represented cash returned to the parent organisation.

Net cash used in the Group's financing activities in 2015 decreased to £4.7 million, from £24.6 million in 2014. This decrease was due to the fact that Group was acquired by Lone Star on 13 March 2015 and, as such, from this date surplus cash generated was no longer returned to the HeidelbergCement Group.

Net cash used in the Group's financing activities in 2014 decreased to £24.6 million, from £33.8 million in 2013. This decrease was due to greater funds being held in the Group's own bank accounts at the period end rather than being remitted to the HeidelbergCement Group.

Capital expenditure

The table below sets out the Group's historical capital expenditure for the periods indicated:

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Land and buildings	187	679	1,460
Plants and machinery	2,728	6,054	12,483
Total	2,915	6,733	13,943

Until 13 March 2015, the Group's capital expenditure budget was set by the HeidelbergCement Group and managed by the Group. Capital expenditure was primarily used to refurbish, expand or modernise the Group's manufacturing facilities, as well as replace equipment. Each year, the Group also incurs expenses relating to the repair and maintenance of its facilities which form part of the Group's costs of sales. In 2015, the Group's capital expenditure of £13.9 million was higher than the two previous years, in part due to the Group's expansion and modernisation activities at its facilities at Measham, Hams Hall, Accrington and Hoveringham (as further described in paragraph 9 of Part 6 (*Business of the Group*) of this Prospectus), which amounted to £6.0 million. Capital expenditure in 2014 and 2013 amounted to £6.7 million and £2.9 million, respectively, and related primarily to recommissioning the Group's mothballed Claughton facility in 2013 and the Group's mothballed facility at Accrington in 2014. In 2014, the Group also incurred £0.5 million installing new equipment at its Somercotes facility for the production of precast concrete beams.

The Directors believe that the Group has the potential to increase its extruded brick annual production capacity by an estimated 25 million bricks by investing approximately, in aggregate, £9.0 million to make improvements to the kilns or dryers at its facilities at Claughton, Desford and Accrington. If an investment decision is taken in respect of these projects, the Directors believe that approximately £2.5 million of investment will be made at Claughton in 2016, approximately £3.5 million will be made in Desford in 2016 or 2017, and approximately a further £2.5 million will be made at Accrington in 2017. Furthermore, in the medium to longer term, the Directors believe that the Group has potential to increase its annual production capacity by a further estimated 145 million bricks by building new state-of-the-art manufacturing facilities at its closed Swillington and Clockhouse sites. In 2016, the Group intends to invest £0.5 million in preparatory design work at the Swillington site in order to reduce the overall facility construction time.

The Group expects to fund such capital expenditures from existing cash resources, from operating cash flows and from proceeds available under the Revolving Credit Facility.

Borrowings

Forterra Building Products was incorporated on 26 March 2014 by the HeidelbergCement Group. In the period between 20 August 2014 and 1 September 2014, Forterra Building Products acquired certain trade and assets relating to the Group's bricks and blocks and bespoke product businesses and the entire issued share capital of Structerm from, in each case, members of the HeidelbergCement Group. The total consideration was £451.3 million, which was satisfied in cash, the issue of consideration shares and the issue of the HC Loan Note to a member of the HeidelbergCement Group, a related party at the time. The interest rate attributable to the HC Loan Note was LIBOR plus 2.5%. The HC Loan was unsecured and repayable on demand. The balance outstanding as at 31 December 2014 was £405.0 million. Prior to the creation and issue of the HC Loan Note, the Group was financed through intercompany borrowings and equity at the HeidelbergCement Group level.

The HC Loan Note was repaid in 2015 in connection with the Lone Star Acquisition and replaced with the Existing Loan Note in the same principal amount (as further described in paragraph 12.10 of Part 14 (*Additional Information*) of this Prospectus). Interest payable on the HC Loan Note and the Existing Loan Note in 2015 was £27.5 million, an increase of 570.7% from £4.1 million in 2014. The increased interest related to notes being outstanding for a full accounting year and an increase in the interest rate to a fixed rate of 8% per annum with effect from 31 March 2015 in respect of the Existing Loan Note.

As at 31 December 2015, the Group had total borrowings of £405.6 million, all of which was represented by the Existing Loan Note (£405.0 million of principal and £0.6 million of accrued interest). In the period under the review, the Group had no external borrowings and relied on existing cash resources and intercompany borrowings for its operating activities.

Existing Loan Note

On 13 March 2015, Forterra Building Products issued the Existing Loan Note in the principal amount of £405.0 million to its parent, the Selling Shareholder. On 1 May 2015, Forterra Building Products and the Selling Shareholder entered into a note amendment deed to amend the Existing Loan Note. On 20 April 2016, pursuant to the terms of the Reorganisation Documents, the Company acquired the Existing Loan Note from the Selling Shareholder. The Existing Loan Note bears interest on the principal, and default payments, at a fixed rate of 8% per annum. Further details of the Existing Loan Note are set out in paragraph 12.10 of Part 14 (*Additional Information*) of this Prospectus.

Pursuant to the terms of the Reorganisation, part of the Existing Loan Note will be repaid and the Company will release Forterra Building Products from its obligations to repay the remainder of the amount outstanding under the Existing Loan Note.

New Loan Note

On 20 April 2016, the Company issued the New Loan Note in the principal amount of £404,969,433 to its parent, the Selling Shareholder. The New Loan Note bears interest on the principal, and default payments, at a fixed rate of 8% per annum. Further details of the New Loan Note are set out in paragraph 12.11 of Part 14 (*Additional Information*) of this Prospectus.

Pursuant to the terms of the Reorganisation, the New Loan Note will be repaid in full.

Existing Credit Agreements and Existing Security Agreements

In connection with the Lone Star Acquisition, on 13 March 2015, Forterra Building Products entered into the Existing Credit Agreements and, on 20 April 2016, each of the Company and Forterra Holdings acceded to the Existing Credit Agreement, in each case, as a loan party. Pursuant to the terms of the Existing Security Documents, each of the Company, Forterra Holdings, Forterra Building Products and the Selling Shareholder granted guarantees and security in respect of its and other members of the Forterra NA Group's obligations under the Existing Credit Agreements. Further details of the Existing Credit Agreements and the Existing Security Documents are set out in paragraphs 13.1 and 13.2 of Part 14 (*Additional Information*) of this Prospectus.

Pursuant to the terms of the Reorganisation, each of the Company, Forterra Holdings and Forterra Building Products will, immediately prior to Admission, be released from its respective obligations under the terms of the Existing Credit Agreements and the Existing Security Documents.

Please refer to paragraph 3 of Part 14 (*Additional Information*) of this Prospectus for further details relating to the Reorganisation.

New Facilities Agreement

The Company, Forterra Holdings, Forterra Building Products and Strutherm acknowledged a binding commitment letter dated 23 March 2016 (the "**Commitment Letter**") provided by Credit Suisse AG, London Branch and Deutsche Bank AG, London Branch as coordinators, HSBC Bank plc, The Royal Bank of Scotland plc as agent for National Westminster Bank Plc, Santander UK plc, Lloyds Bank plc as mandated lead arrangers, AIB Group (UK) p.l.c., Raiffeisen Bank International AG and ICICI BANK UK PLC as arrangers, appended to which was an agreed form senior facilities agreement (the "**New Facilities Agreement**"). Immediately prior to Admission, Forterra Building Products as borrower and guarantor will enter into the New Facilities Agreement between, among others, the Company, Forterra Holdings and Strutherm as original guarantors (together with Forterra Building Products, the "**Original Guarantors**"), AIB Group (UK) p.l.c., HSBC Bank plc, ICICI BANK UK PLC, Lloyds Bank plc, National Westminster Bank Plc, Raiffeisen Bank International AG and Santander UK plc (together, the "**New Lenders**") and The Royal Bank of Scotland plc as agent and security agent (the "**Agent**" and the "**Security Agent**", respectively).

Pursuant to the terms of the New Facilities Agreement, a sterling term loan facility with a maximum aggregate principal amount of £150,000,000 (the "**Term Facility**") and a sterling revolving credit facility with a maximum aggregate principal amount of £30,000,000 (the "**Revolving Credit Facility**") and, together with the Term Facility, the "**New Facilities**") will be made available to Forterra Building Products and certain other members of the Group.

Under the New Facilities Agreement, the Term Facility may be utilised by way of loans for the purpose of (i) financing transaction costs incurred in connection with the New Facilities and the Offer and (ii) refinancing certain other financial indebtedness, including certain financial indebtedness of certain affiliates of the Company. The Revolving Credit Facility may be utilised by way of loans, letters of credit and/or ancillary facilities for the purpose of financing the general corporate purposes or working capital requirements of the Group. Up to £25,000,000 of the Revolving Credit Facility may be utilised for the purposes of acquiring companies, businesses and undertakings, provided that for a consecutive period of five Business Days ending with the day which is the first anniversary of the date of Admission, the outstanding aggregate amount of the Revolving Credit Facility (in addition to the cash loans under any ancillary facility and/or letter of credit under the New Facilities and less any cash or cash equivalent investments held by any wholly owned members of the Group) does not exceed zero.

Under the New Facilities Agreement, Forterra Building Products is required to repay the Term Facility in instalments of £10,000,000 on each anniversary of the date of Admission and all outstanding amounts under the Term Facility are required to be repaid on the date which falls 60 months after Admission. Each loan made under the Revolving Credit Facility is repayable on the last day of its interest period. Forterra Building Products or the Company may select an interest period of one, two, three or six months or any such period as agreed by the Company, the Agent and each lender in relation to the relevant loan.

Interest is payable on amounts drawn by way of loans under the New Facilities Agreement at a rate of LIBOR plus a variable margin. On Admission, the applicable margin is 2.25% per annum under the Term Facility and 2.25% per annum under the Revolving Credit Facility. Following delivery of a compliance certificate under the New Facilities Agreement (provided no event of default has occurred and is continuing and a compliance

certificate for the period ending 31 December 2016 has been delivered), the applicable margin will be calculated by reference to the ratio of total net debt to EBITDA (as defined in the New Facilities Agreement). The highest applicable margin payable is 2.75% per annum and the lowest margin payable is 1.50% per annum.

Further details of the terms of the New Facilities Agreement are set out in paragraph 13.3 of Part 14 (*Additional Information*) of this Prospectus.

Contractual obligations and commitments

The Group has various contractual obligations and commercial commitments to make future payments, including debt obligations and non-cancellable operating lease obligations. The Group has no finance lease commitments.

The table below summarises the Group's contractual obligations as at 31 December 2015.

	Within one year	Between one and five years	After five years
	£000s	£000s	£000s
Operating leases:			
– Land and buildings	764	2,402	4,210
– Other	5,967	19,746	2,007
Total	6,731	22,148	6,217

Off balance sheet arrangements

The Group does not currently engage in any off balance sheet financing arrangements.

Between November 2012 and February 2015, the Group participated in a programme to sell accounts receivable to certain third party banking institutions on a largely non-recourse basis. In accordance with IFRS, these receivables sold were removed from the balance sheet and any cash collected on sold receivables that was not passed onto the banking institutions was shown as a liability on asset-backed securities. The net receipts were reflected as cash from the operating activities in the Group's combined and consolidated statements of cash flows.

Pension obligations

The Directors and employees of the Group currently participate in the Forterra Group Personal Pension Plan (the "FGPPP"), which is a defined contribution pension arrangement under which the Group's obligations are limited to payment of contributions at agreed rates.

Historically, and prior to the Lone Star Acquisition, employees of Forterra Building Products were members of the Hanson Industrial Pension Scheme (the "HIPS"), an occupational pension scheme consisting of several sections, some of which operate on a defined benefit basis. The Group's contributions to the HIPS were as follows: £4.0 million in 2013, £4.6 million in 2014 and £0.9 million in the period to 13 March 2015. From 14 March 2015, the Group offered membership to the Hanson Building Products Personal Pension Plan (now the FGPPP). The Group's contributions to the defined contribution pension scheme were £3.4 million in 2015. The Group has no ongoing funding obligations in relation to the HIPS.

Further details of the Group's pension schemes are set out in paragraph 8 of Part 14 (*Additional Information*) of this Prospectus.

7. QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

The principal categories of financial risk to which the Group is exposed are market risk, credit risk, liquidity risk, capital management and interest rate risk.

Market risk

The Group's borrowings comprise the Existing Loan Note and the New Loan Note. The Company, Forterra Holdings and Forterra Building Products are also parties to the Existing Credit Agreements pursuant to which they have granted security over their assets in favour of the Existing Lenders. From Admission, the Group's borrowings will comprise the proceeds made available under the New Facilities, as described above. The Directors continue to monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

The Group uses significant amounts of energy, including natural gas and electricity, and fuel in the manufacturing, distribution and sale of the Group's products and, as such, the Group is exposed to energy and fuel price risks. The Group's risk strategy aims to provide protection against sudden and significant increases in prices whilst ensuring that the Group is not competitively disadvantaged in the event of a substantial fall in the price of energy or fuel. To meet these objectives the Group enters into energy forward purchase contracts from time to time with approved counterparties and within approved limits. The Group did not enter into any energy derivatives in 2013, 2014 and 2015. The following table demonstrates the sensitivity of a reasonably possible change in fuel prices, with all other variables held constant:

	For the year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Energy costs	20,558	21,002	18,865
1% increase in wholesale fuel price (excluding duty)	206	210	189

The Group has purchased pursuant to forward purchase contracts approximately 75% of the natural gas for use in its operations during 2016 and may utilise forward purchase contracts to secure a portion or all of its energy requirements in the future.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Group's receivables from customers and credit sales. The Group has concentrations of credit risk as it receives a significant portion of its revenue from a limited number of customers. For example, during 2015, the Group's top 20 customers accounted for 65.0% of the Group's revenue. If any customer is unable to pay against its trade receivable accounts, the Group could suffer from a decline in revenue and profitability. The Group has implemented policies to manage potential credit risk before sales are made and to monitor customer trade receivable accounts thereafter, and the Directors do not expect any significant losses of receivables for which they have not provided. Credit risk is managed on a Group basis through credit approval limits and insurance where applicable, however, the Group does not have any such insurance in place at present. Customer credit terms are regularly updated to reflect any identified and relevant changes in customer circumstances or trading conditions. An internal assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. There is no concentration of credit risk with respect to trade receivables, as the Group's largest customers have the highest credit rating. Although the Group has procedures to limit its exposure to credit risk from its customers, the Group cannot guarantee that it will be able to limit its potential loss of revenue from customers who are unable to pay against their trade receivable accounts. In particular, if global, regional or national economic conditions significantly deteriorate, there is a risk that its customers and distributors in those markets may suffer from a weakened financial condition and be unable to pay against their trade receivable accounts.

Liquidity risk

The Group's finance department regularly monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance. The Directors do not consider there to be a significant risk that the outflow of cash could occur significantly earlier or for a significantly different amount.

In addition, the Group has participated in a programme to sell accounts receivable to certain third party banking institutions on a largely non-recourse basis from November 2012 until February 2015 to manage both credit and liquidity risk.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to Shareholders, return capital to Shareholders, issue new Ordinary Shares or sell assets to reduce debt.

8. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's accounting policies and critical accounting judgements and estimates are more fully described in notes 2 and 3 to its consolidated historical information in Section B of Part 11 (*Historical Financial Information*) of this Prospectus. However, certain of the Group's accounting policies are particularly important to the presentation of its results of operations and require the application of significant judgements and estimates by its management. In applying these policies, management uses its judgement about future events to determine the appropriate assumptions to be used in the determination of certain estimates used in the preparation of the Group's results of operations. Future events and their effects cannot be determined with absolute certainty. These estimates are based on previous experience, the terms of the Group's existing contracts, information provided by customers, current and future expected economic conditions, information available from other outside sources, and other factors, as appropriate.

The Directors believe that, among others, the following accounting policies that involve management judgements and estimates are the most critical to understanding and evaluating the Group's reported financial results.

Impairment of property, plant and equipment

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

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 use of assets or the strategy for the Group's 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, are tested annually for impairment.

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, 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.

Provisions for asset retirement obligations

The provisions for asset retirement obligations are made based on the Group's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value. The key estimates requiring judgement associated with calculating the provision relate to the cost to perform the necessary remediation work as at 31 December 2015, together with determining the year of retirement. This estimation process requires specialist input.

PART 10 CAPITALISATION AND INDEBTEDNESS

The following tables do not reflect the impact of the Reorganisation on the Group's capitalisation and indebtedness. Please refer to Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus for analysis of the impact of the Reorganisation on the consolidated net assets of the Group.

Capitalisation

The table below sets out the Group's capitalisation and indebtedness as at 31 December 2015. The capitalisation information has been extracted without material adjustment from the Group's financial information included in Section B of Part 11 (*Historical Financial Information*) of this Prospectus as at 31 December 2015.

	As at 31 December 2015
	£000s
Total current debt	405,578
Guaranteed	—
Secured	—
Unguaranteed/unsecured	405,578
Total non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total shareholder's equity	46,626
Share capital	90
Share premium	46,536
Other reserves ⁽¹⁾	—
Total capitalisation	452,204

⁽¹⁾ Other reserves does not include the profit and loss account reserve.

Save for the Reorganisation described in paragraph 3 of Part 14 (*Additional Information*) of this Prospectus, there has been no material change in the Group's capitalisation since 31 December 2015.

Net indebtedness

The table below sets out the Group's net indebtedness as at 29 February 2016. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited accounting records.

	As at 29 February 2016
	£000s (Unaudited)
Cash	17,396
Liquidity	17,396
Current bank debt	—
Other financial debt ⁽¹⁾	410,904
Current finance debt	410,904
Net current financial indebtedness	393,508
Non current bank loans	—
Other non current loans	—
Non current financial indebtedness	—
Net financial indebtedness	393,508

⁽¹⁾ Other financial debt includes the Existing Loan Note (including accrued interest), which is disclosed as borrowings from related parties in the Group's financial information included in Section B of Part 11 (*Historical Financial Information*) of this Prospectus as at 31 December 2015. The balance outstanding under the Existing Loan Note (principal and accrued interest) will either be repaid or released following Admission as part of the Reorganisation, as described in paragraph 3 of Part 14 (*Additional Information*) of this Prospectus. The increase in "Other financial debt" from the balance at 31 December 2015 is due to accrued interest on the Existing Loan Note.

The Group has no indirect and contingent indebtedness.

PART 11
HISTORICAL FINANCIAL INFORMATION
SECTION A – ACCOUNTANT’S REPORT

The Directors
Forterra plc
5 Grange Park Court
Roman Way
Northampton NN4 5EA
United Kingdom

21 April 2016

Dear Sirs

Forterra Building Products Limited

We report on the financial information of Forterra Building Products Limited for the years ended 31 December 2013, 2014 and 2015 (the “**Historical Financial Information**”) as set out in Section B of Part 11 (*Historical Financial Information*) of the prospectus of Forterra plc (the “**Company**”) dated 21 April 2016 (the “**Prospectus**”). The Historical Financial Information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in Note 2 to the Historical Financial Information. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with, this report or our statement, required by, and given solely for the purposes of, complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with the basis of preparation set out in Note 2 of the Historical Financial Information.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Prospectus dated 21 April 2016, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B – COMBINED AND CONSOLIDATED FINANCIAL INFORMATION

COMBINED AND CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December		
		2013	2014	2015
		£000s	£000s	£000s
Revenue	4	225,862	268,073	290,220
Cost of sales		(162,666)	(167,735)	(167,669)
Gross profit		63,196	100,338	122,551
Distribution costs		(39,818)	(42,281)	(45,296)
Administrative expenses		(22,977)	(20,491)	(28,225)
Other operating income	8	1,481	1,110	505
Operating profit		1,882	38,676	49,535
EBITDA before exceptional items		22,258	54,620	70,531
Less exceptional items	5	(9,757)	(6,543)	(11,569)
Less depreciation and amortisation		(10,619)	(9,401)	(9,427)
Operating profit		1,882	38,676	49,535
Net finance expense	9	(369)	(5,261)	(27,335)
Profit before tax		1,513	33,415	22,200
Income tax expense	10	(3,062)	(9,260)	(4,155)
(Loss)/profit for the financial period		(1,549)	24,155	18,045
Attributable to:				
Owners of the parent		(1,549)	24,155	18,045

Profit for the financial period is equivalent to total comprehensive income for the financial period and therefore combined and consolidated statements of other comprehensive income have not been presented.

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2013	2014	2015
		£000s	£000s	£000s
Assets				
Non-current assets				
Intangible assets	12	16,587	16,597	13,285
Property, plant and equipment	13	142,378	144,846	149,544
Deferred tax assets	21	1,914	753	1,794
		160,879	162,196	164,623
Current assets				
Inventories	15	28,363	30,620	40,924
Trade and other receivables	16	23,514	20,904	28,558
Trade and other receivables with related parties	25	41,289	8,960	23,015
Cash and cash equivalents	17	13,811	20,978	24,189
		106,977	81,462	116,686
Total assets		267,856	243,658	281,309
Capital and reserves attributable to the equity shareholders of the parent				
Ordinary shares	22	—	90	90
Share premium	22	—	46,536	46,536
HeidelbergCement AG invested capital		214,628	—	—
Accumulated deficit		—	(275,216)	(257,171)
Total equity		214,628	(228,590)	(210,545)
Non-current liabilities				
Provisions for other liabilities and charges	20	10,551	11,812	11,656
		10,551	11,812	11,656
Current liabilities				
Trade and other payables	18	39,190	40,925	55,610
Trade and other payables to related parties	25	904	11,486	13,903
Income tax liabilities	10	—	—	1,890
Borrowings from related parties	19	—	405,000	405,578
Provisions for other liabilities and charges	20	2,583	3,025	3,217
		42,677	460,436	480,198
Total liabilities		53,228	472,248	491,854
Total equity and liabilities		267,856	243,658	281,309

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the parent						
	Note	Share capital £000s	Share premium £000s	Heidelberg Cement AG invested capital £000s	Accumulated deficit £000s	Total equity £000s
Balance at 1 January 2013		==	==	211,468	==	211,468
Loss for the year		—	—	(1,549)	—	(1,549)
Total comprehensive loss for the year		—	—	(1,549)	—	(1,549)
Transactions with owners, recognised directly in equity		—	—	4,709	—	4,709
Balance at 31 December 2013		==	==	214,628	==	214,628
Profit for the year		—	—	15,235	8,920	24,155
Total comprehensive income for the year		—	—	15,235	8,920	24,155
Issuance of share capital	22	90	46,536	—	—	46,626
Transfer from invested capital to retained earnings		—	—	(229,863)	229,863	—
Transactions with owners, recognised directly in equity		—	—	—	(513,999)	(513,999)
Balance at 31 December 2014		90	46,536	—	(275,216)	(228,590)
Profit for the year		—	—	—	18,045	18,045
Total comprehensive income for the year		—	—	—	18,045	18,045
Balance at 31 December 2015		90	46,536	—	(257,171)	(210,545)

The reorganisation that resulted in issuance of share capital is described in note 2(a).

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2013	2014	2015
		£000s	£000s	£000s
Cash flows from operating activities				
Profit before taxation		1,513	33,415	22,200
Adjustments for:				
- Depreciation	13	10,018	9,101	9,118
- Amortisation	12	601	300	309
- Impairment expense/(credit)	12, 13	3,300	(5,511)	2,410
- (Profit)/loss on disposal of fixed assets	8	(32)	474	(30)
- Net finance expense	9	369	5,261	27,335
- Non-cash movement on provisions		1,820	1,721	1,074
- Other non-cash items		—	—	690
Changes in working capital:				
- Inventories	15	8,524	(2,257)	(10,304)
- Trade and other receivables	16	13,581	(4,655)	(23,344)
- Trade and other payables	18	829	4,854	21,895
- Cash movement on provisions		(2,774)	(1,495)	(1,394)
Cash generated from operations		37,749	41,208	49,959
Interest paid	9	(83)	(4,138)	(26,401)
Tax paid		—	—	(3,306)
Net cash inflow from operating activities		37,666	37,070	20,252
Cash flows from investing activities				
Purchase of property, plant and equipment	13	(2,814)	(4,973)	(12,421)
Purchase of intangible assets	12	(672)	(593)	—
Proceeds from sale of property, plant and equipment		66	228	58
Net cash outflow from investing activities		(3,420)	(5,338)	(12,363)
Cash flows from financing activities				
Capital distribution to parent and settlement of cash pooling balance		(33,824)	(24,565)	(4,678)
Net cash used in financing activities		(33,824)	(24,565)	(4,678)
Net increase in cash and cash equivalents		422	7,167	3,211
Cash and cash equivalents at the beginning of the period	17	13,389	13,811	20,978
Cash and cash equivalents at the end of the period	17	13,811	20,978	24,189

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Forterra Building Products Limited (the “Company”) is a company incorporated and domiciled in the UK. The address of the registered office of the Company is: 5 Grange Park Court, Roman Way, Northampton, England, NN4 5EA. The Company is the parent of Structerm Limited, which together comprise the group (the “Group”). The principal activity of the Group is the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete block paving and other complimentary building products.

The combined and consolidated historical financial information were approved for issue by the Board of Directors on 11 April 2016.

2. ACCOUNTING POLICIES

(a) Basis of preparation

In the period between 20 August 2014 and 1 September 2014, subsidiary undertakings of HeidelbergCement AG (“HC”), the parent company of the Company at that date, transferred certain trade and assets (relating to the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete block paving and other complimentary building products) and its investment in Structerm Limited to the Company as part of a group reorganisation. The transaction was settled via a consideration of £451.3 million generated from an issue of shares and intercompany loan notes totalling £405,000,000.

On 23 December 2014, Lone Star (as defined in note 26), through its wholly owned subsidiary entered into an agreement with HC to purchase the entire share capital of the Company. On 13 March 2015, Lone Star completed the acquisition of the Company. On this date the immediate parent company became LSF9 Concrete UK Limited, an entity incorporated in Jersey.

In order to reflect the effect of the restructuring, the historical financial information for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 has been prepared on a basis that combines the results, assets and liabilities of all entities within the Group for the period to 1 September 2014 and on a consolidated basis thereafter. Prior to 1 September 2014, the Group had not constituted a separate legal group.

The combined and consolidated historical financial information has been prepared by applying the principles underlying the consolidation procedures of IFRS 10 ‘Consolidated Financial Statements’ (“IFRS 10”) for each of the three years to 31 December 2013, 31 December 2014 and 31 December 2015 and as at these dates. On such basis, the combined and consolidated historical financial information sets out the Group’s financial position as at 31 December 2013, 31 December 2014 and 31 December 2015 and the results of operations and cash flows for the three years then ended.

The combined and consolidated financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and the UK Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with IFRS except as described below.

IFRSs do not provide for the preparation of combined historical financial information. Accordingly in preparing the combined financial information of the Group certain accounting conventions commonly applied for the purposes of preparing historical information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standards applicable to public reporting engagements on historical information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the material departures from IFRSs set out below. In all other respects, IFRSs have been applied.

- As explained above, the combined and consolidated historical financial information is prepared on a combined basis for the period to 1 September 2014 and therefore does not comply with the requirements of IFRS 10. However, the financial information has been prepared on a combined basis applying the principles underlying the consolidation procedures of IFRS 1.
- The combined financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 ‘Presentation of Financial Statements’ and consequently

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

the Group does not make an explicit and unreserved statement of compliance with IFRSs as contemplated by paragraph 16 of IAS 1. A company is only permitted to apply the first time adoption rules of IFRS 1 'First time Adoption of International Financial Reporting Standards' in its first set of financial statements where such an unreserved statement of compliance would be made. Although such a statement has not been made, the combined historical financial information has been prepared as if the date of transition to IFRS is 1 January 2013, the beginning of the first period presented.

- Earnings per share is not disclosed as required by IAS 33 'Earnings per Share' as the historical financial information has not been prepared on a consolidated basis for all periods presented.

The Group's deemed transition date to IFRSs is 1 January 2013. The principles and requirements for first time adoption of IFRSs are set out in IFRS 1.

IFRS exemption options

IFRS 1 provides the option to measure certain intangible assets at a prior valuation at the opening balance sheet date. Goodwill on acquisitions prior to 1 January 2013 was frozen as at that date and is subject to annual impairment review in accordance with IAS 36 'Impairment of assets'.

IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied. IFRS estimates as at 1 January 2013 are consistent with the estimates as at the same date made in conformity with local GAAP.

The compulsory exceptions of IFRS 1 have not been applied as these are not applicable to the Group:

- Derecognition of financial assets and financial liabilities;
- Hedge accounting;
- Non-controlling interests; and
- Government loans.

The Group has not previously prepared or reported any combined or consolidated historical financial information in accordance with any other generally accepted accounting principles ("GAAP"). Consequently it is not possible to provide the reconciliations between financial information prepared under a previous GAAP and the financial information prepared in accordance with IFRSs (which is required by IFRS 1 on transition to IFRSs). The Group's opening statement of financial position is however provided in note 28.

The combined and consolidated financial information has been prepared using consistent accounting policies.

The following summarises the accounting and other principles applied in preparing the combined financial information:

- The Group did not form a separate legal group prior to 1 September 2014 and therefore it is not meaningful to present share capital or an analysis of reserves for the year ended 31 December 2013. The excess of assets over liabilities of all combining entities in the Group as at 31 December 2013 are representative of the cumulative investment of HC in the Group, shown as "Invested Capital".
- Transactions and balances between entities have been eliminated. All intra-group balances, transactions, income and expenses and profits and losses have been eliminated on combination.
- Prior to 1 September 2014, the combined financial information is based on the accounting records of HC. Within these records, each subsidiary of HC has its own equity accounts in the books and records, as well as intercompany balances due (to)/from affiliates and operations within HC. These intercompany balances are considered by HC as part of the capital structure of these entities and are not regularly settled in cash with the affiliate counterparties. Therefore, these intercompany balances act as clearing accounts between the parties and consist of the

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

accumulated net transactions between the Company and other entities and operations of HC and may include both operating items (allocated expenses and purchases of services and materials) and equity items (transfers of assets, cash and dividends). The Group recorded operating items as trade receivables from related parties or trade payables to related parties. The Group recorded equity items in a single caption, "HeidelbergCement AG invested capital".

- The Company was allocated (up to 1 September 2014) and recharged (between 1 September 2014 and 13 March 2015) selling, general and administrative expenses from HC and Hanson United Kingdom ("HUK") (which is an indirect, wholly-owned subsidiary of HC) for certain shared services of £1,788,000, £10,649,000 and £9,955,000 for the years ended 31 December 2015, 2014 and 2013, respectively. The historical costs and expenses reflected in the combined historical financial information include an allocation for certain corporate functions historically provided by HC or its wholly-owned subsidiaries. Historically, the centralised functions have included executive senior management, financial reporting, financial planning and analysis, accounting, shared services, information technology, tax, risk management, treasury, legal, human resources, land management, and strategy and development. Additionally, in 2014 and 2013 the Group resided in office space provided by affiliates of HC. The cost of each of these services has been allocated to the Group on the basis of the Company's proportionate revenue and headcount as compared to that of HC and HUK, depending upon which allocation methodology is more meaningful for each service. The Group, HC and HUK believe that these allocations reasonably reflect the utilisation of services provided and benefits received. However, these amounts are not necessarily representative of the amounts that would have been incurred by the Group as a separate entity.
- Goodwill directly attributable to the combined group and subsidiaries of the Group has been 'pushed down' and included in the combined historical financial information at the beginning of the comparative period (with a corresponding credit being taken to Invested Capital). As permitted by IFRS 1, the deemed cost of this goodwill has been derived from that previously reported in the consolidated financial statements of HC.
- The provision for income taxes is calculated as if the Group completed separate UK tax returns apart from HUK, although the Group was included in the HUK tax group until its sale to Lone Star (as defined in note 26). Significant judgement is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business.

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 the foreseeable future. The Group therefore adopts the going concern basis in preparing its combined and consolidated financial information.

(b) New standards, amendments and interpretations

Standards, amendments and interpretations which are not effective or early adopted by the Group:

- **IFRS 15 'Revenue from contracts with customers'** (effective 1 January 2018 and subject to EU endorsement). The standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.
- **IFRS 9 'Financial instruments'** (effective 1 January 2018 and subject to EU endorsement). The Standard will replace the majority of IAS 39 and covers the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets and provides a new hedge accounting model.
- **IFRS 16 'Leases'** (effective 1 January 2019 and subject to EU endorsement). The Standard addresses the definition of a lease, recognition and measurement of leases and establishes

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The impact of these standards is currently being assessed.

(c) Basis of consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are 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 on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(d) Foreign currency translation

The functional currency of the two Group companies is pounds sterling because that is the currency of the primary economic environment in which the Group operates. The Group's presentation currency is pounds sterling.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined and consolidated income statement.

Foreign exchange gains and losses that relate to borrowings from related parties and cash and cash equivalents are presented in the combined and consolidated income statement within net finance expense. All other foreign exchange gains and losses are presented in the combined and consolidated income statement within other operating income.

(e) 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, the costs attributable to bringing the asset to its working condition for its intended use, the initial estimate of any asset retirement obligation and associated changes to those estimates. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined and consolidated income statement.

Land and construction in progress are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to the combined and consolidated income statement on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

- Freehold buildings – 50 years
- Leasehold buildings – Shorter of the useful life and the lease term
- Plant and machinery – 4 to 25 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. **ACCOUNTING POLICIES (CONTINUED)**

Borrowing costs are not directly attributable to the acquisition, construction or production of qualifying assets and therefore are recognised as an expense in the combined and consolidated income statement. Repair and maintenance expenses are also recognised as an expense in the combined and consolidated income statement.

(f) Intangible assets

(i) Clay rights and other intangible assets

Intangible assets with finite lives consist of clay rights and other intangibles. Intangible assets with finite lives are carried at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of these intangible assets over their estimated useful lives of:

- Clay rights – 25-30 years
- Other intangible assets – 8-20 years

(ii) Brand names and carbon emissions

Intangible assets with indefinite useful lives consist of brand names and carbon emission rights, the latter being categorised under other intangible assets. Brand names are classified as an indefinite life intangible asset due to the longevity of the brand and there not being a time limit on when benefit will be gained from the brand. Carbon emission rights are classified as an indefinite life intangible asset since amortisation is not required due to the fact there is a corresponding carbon emissions provision. Carbon emission rights granted free of charge are initially measured at a nominal value of £nil. Carbon emission rights acquired for consideration are accounted for at cost and are subject to write-down in the event of impairment.

Intangible assets with indefinite useful lives are not amortised but are tested at least annually for impairment or whenever events or circumstances indicate that the carrying amount may not be recoverable.

(iii) Goodwill

Goodwill arises on the acquisition of business and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (“CGUs”), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGU level.

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 and is not subsequently reversed.

(g) Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial assets

Classification

The Group classifies its financial assets in the category loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (notes 16 and 17).

Impairment of financial assets – Assets carried at amortised cost

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net of provisions, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the combined and consolidated income statements. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Inventories

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

(j) Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(k) Asset backed securities

Starting from November 2012, the Group participated in a programme to sell accounts receivable to certain third party banking institutions on a largely non-recourse basis. The transfer of such accounts receivable meet the criteria for derecognition of financial assets under IAS 39. Accordingly, the receivables sold are removed from the balance sheet and any cash collected on sold receivables that has not been passed onto the banking institutions is shown as liabilities on asset backed securities. The net receipts are reflected as cash from operating activities in the combined and consolidated statements of cash flows. The programme ceased in February 2015.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. The treasury activities, including activities related to the Group, were centralised by HC

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

such that the net cash collections were automatically distributed to HC and reflected as a cash pooling related party receivable / payable. The centralised cash pooling arrangement ceased in February 2015.

(m) Trade and other payables

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

(n) Borrowings from related parties

Borrowings from related parties are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, borrowings from related parties are carried at amortised cost. Any difference between the initial carrying amount and the redemption value is recognised in the combined and consolidated income statements over the period of the borrowings using the effective interest method.

(o) Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 increase in the provisions due to passage of time is recognised in net finance expense.

Provisions are not made for future operating losses.

Asset retirement obligations

Assets retirement obligations comprise:

- Restoration provisions that relate to legal or constructive obligations to backfill and restore raw material quarrying sites;
- Teardown provisions that relate to dismantling or removing an asset at the end of its useful life and to restoring the site on which it has been located. Corresponding to the initial recognition of the provision for teardown, the teardown cost is capitalised.

Carbon emissions

Provisions for carbon emissions are recognised in order to reflect the anticipated usage of carbon emission rights to meet the surrender obligations for the period. Provisions for the obligation to surrender emission rights are recognised if the actual CO₂ emissions up to the reporting date are not covered by emission rights granted free of charge and, if applicable, emission rights acquired for consideration.

(p) 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.

(q) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of rebates, discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when the goods have been delivered and the risks and rewards have passed to the purchaser. The Company provides volume based rebates to certain customers normally on an annual basis. The estimated obligation at the year end is recorded as an accrual.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

(r) Leases

Leases which entail taking substantially all the risks and rewards of ownership of an asset are classified as finance leases and all other leases are classified as operating leases. The costs associated with operating leases are taken to the combined and consolidated income statements on an accruals basis over the period of the lease. Operating lease incentives, which primarily include rent free periods, are capitalised and released to the rental expense within the combined and consolidated income statements over the lease term. The Group has no finance leases.

(s) Net finance expense

Finance expense

Finance expense comprises interest payable on borrowings from related parties, direct issue costs, foreign exchange losses and unwinding of discount on long-term provisions. Finance expense is recognised in the combined and consolidated income statement as it accrues using the effective interest method.

Finance income

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

(t) Current and deferred income tax

Income tax for the periods presented comprises current and deferred tax. Tax is recognised in the combined and consolidated income statements, unless it relates to items in other comprehensive income or equity.

The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined and consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(u) Segment reporting

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

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits

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

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the combined and consolidated historical financial information under IFRSs 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 historical financial information.

(a) Impairment of Property, plant and equipment

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

(b) Impairment of Intangible assets

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

Assets not subject to amortisation including goodwill are tested annually for impairment, as discussed in note 2.

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, the long-term growth rate of the relevant market, and the discount rate considered appropriate to reflect the time value of money and any risks specific to the asset that are not reflected in the cash flows.

(c) Provisions for asset retirement obligations

The provisions for asset retirement obligations are made based on the Group's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

The key estimates requiring judgement associated with calculating the provision relate to the cost to perform the necessary remediation work as at the reporting date together with determining the year of retirement. This estimation process requires specialist input.

4. SEGMENTAL REPORTING

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

The Executive management 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 building sector
- Blocks – Manufacture and sale of concrete blocks to the building sector
- Bespoke products – Manufacture of bespoke products to the building sector

The executive management committee considers that for reporting purposes, the operating segments above can be aggregated into 2 reporting segments: Bricks & Blocks; and Bespoke products. The executive management committee has chosen to organise the entity around differences in products and services. The aggregation of Bricks and Blocks is due to these operating segments having similar: long-term average margins; production process; suppliers; customers and distribution methods.

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

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

Segment revenue and results:

	Note	Year ended 31 December 2013		
		Bricks & Blocks	Bespoke products	Total
		£000s	£000s	£000s
Segment revenue		163,425	63,515	226,940
Intersegment eliminations				(1,078)
Revenue				225,862
EBITDA before exceptional items		20,689	1,569	22,258
Segment exceptional items	5	(3,646)	(150)	(3,796)
Unallocated exceptional items	5			(5,961)
Exceptional items	5			(9,757)
Segment EBITDA after exceptional items		17,043	1,419	18,462
Unallocated costs after exceptional items				(5,961)
EBITDA after exceptional items				12,501
Depreciation and amortisation	12, 13	(9,551)	(1,068)	(10,619)
Net finance expense	9			(369)
Profit before tax				1,513
Income tax expense	10			(3,062)
Loss for the financial year				(1,549)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4. SEGMENTAL REPORTING (CONTINUED)

Segment assets:

As at 31 December 2013				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Property, plant and equipment	13	126,682	15,696	142,378
Intangible assets	12	7,866	8,721	16,587
Inventories	15	23,115	5,248	28,363
Unallocated assets				80,528
Total assets				267,856

Other segment information:

Year ended 31 December 2013				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Depreciation and amortisation	12, 13	9,551	1,068	10,619
Fixed asset additions	12, 13	3,412	175	3,587

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

Year ended 31 December 2013				
		Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Customer A		33,395	1,803	35,198
Customer B		24,425	2,459	26,884

Segment revenue and results:

Year ended 31 December 2014				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Segment revenue		201,055	68,388	269,443
Intersegment eliminations				(1,370)
Revenue				268,073
EBITDA before exceptional items		50,620	4,000	54,620
Segment exceptional items	5	5,404	(333)	5,071
Unallocated exceptional items	5			(11,614)
Exceptional items	5			(6,543)
Segment EBITDA after exceptional items		56,024	3,667	59,691
Unallocated costs after exceptional items				(11,614)
EBITDA after exceptional items				48,077
Depreciation and amortisation	12, 13	(8,362)	(1,039)	(9,401)
Net finance expense	9			(5,261)
Profit before tax				33,415
Income tax expense	10			(9,260)
Profit for the financial year				24,155

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4. SEGMENTAL REPORTING (CONTINUED)

Segment assets:

As at 31 December 2014				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Property, plant and equipment	13	129,841	15,005	144,846
Intangible assets	12	7,939	8,658	16,597
Inventories	15	25,948	4,672	30,620
Unallocated assets				51,595
Total assets				243,658

Other segment information:

Year ended 31 December 2014				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Depreciation and amortisation	12, 13	8,362	1,039	9,401
Fixed asset additions	12, 13	6,577	749	7,326

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

Year ended 31 December 2014			
	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Customer A	41,917	1,698	43,615
Customer B	28,139	2,863	31,002

Segment revenue and results:

Year ended 31 December 2015				
	Note	Bricks & Blocks £000s	Bespoke products £000s	Total £000s
Segment revenue		218,018	73,739	291,757
Intersegment eliminations				(1,537)
Revenue				290,220
EBITDA before exceptional items		63,954	6,577	70,531
Segment exceptional items	5	21	(2,410)	(2,389)
Unallocated exceptional items	5			(9,180)
Exceptional items	5			(11,569)
Segment EBITDA after exceptional items		63,975	4,167	68,142
Unallocated costs after exceptional items				(9,180)
EBITDA after exceptional items				58,962
Depreciation and amortisation	12, 13	(8,552)	(875)	(9,427)
Net finance expense	9			(27,335)
Profit before tax				22,200
Income tax expense	10			(4,155)
Profit for the financial year				18,045

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4. SEGMENTAL REPORTING (CONTINUED)

Segment assets:

As at 31 December 2015				
	Note	Bricks & Blocks	Bespoke products	Total
		£000s	£000s	£000s
Property, plant and equipment	13	134,527	15,017	149,544
Intangible assets	12	7,101	6,184	13,285
Inventories	15	36,142	4,782	40,924
Unallocated assets				77,556
Total assets				281,309

Other segment information:

		Year ended 31 December 2015		
	Note	Bricks & Blocks	Bespoke products	Total
		£000s	£000s	£000s
Depreciation and amortisation	12, 13	(8,552)	(875)	(9,427)
Fixed asset additions	12, 13	13,060	883	13,943

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

	Year ended 31 December 2015		
	Bricks & Blocks	Bespoke products	Total
	£000s	£000s	£000s
Customer A	45,965	1,737	47,702
Customer B	32,750	4,427	37,177

5. EXCEPTIONAL ITEMS

		Year ended 31 December		
	Note	2013	2014	2015
		£000s	£000s	£000s
Profit/(loss) on disposal of fixed assets	8	32	(474)	30
Pension deficit reduction payments	6	(5,961)	(4,064)	—
Transaction costs		—	(7,550)	(5,138)
Separation costs		—	—	(4,042)
Restructuring (expense)/credit		(528)	34	(9)
Impairment (expense)/credit:				
- Intangibles	12	(1,103)	—	(2,410)
- Property, plant and equipment	13	(2,197)	5,511	—
Total exceptional items		(9,757)	(6,543)	(11,569)

The Group reports non-trading income or expenditure as exceptional when the size, nature or function of an item, or aggregation of similar items, is such that separate presentation is relevant to an understanding of its financial position.

EBITDA before exceptional items for the purposes of this historical financial information represents Earnings before Interest, Tax, Depreciation and Amortisation adjusted to exclude the exceptional items as detailed below.

The profit/loss on disposal of fixed assets relates to the profit/loss on sale of surplus plant and equipment.

The pension deficit reduction payments are the allocated defined benefit pension costs for which the group is not liable for going forward. See note 6 for further information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

5. EXCEPTIONAL ITEMS (CONTINUED)

The transaction costs in 2014 relate to the non-recurring professional fees related to legal, accounting and auditing services in connection with the sale of this business by HeidelbergCement AG Group as described in note 2. The costs incurred in 2015 relate to the proposed initial public offering of the Group.

The separation costs relate to the separation from HeidelbergCement AG Group and include rebranding, new office fit out costs, set up of standalone IT operations and staff recruitment.

The restructuring expense relates to severance and other contract termination costs incurred in connection with the programmes to reduce costs and improve operating effectiveness. These programs included the closing of plants and the termination of portions of the workforce. The restructuring credit relates to a release of a provision in relation to a range of downsizing and restructuring initiatives during the economic downturn.

The impairment expense/credit are disclosed in notes 12 and 13. In 2013, the Group performed an impairment review which resulted in impairment charges of £3,300,000. An impairment reversal of £5,511,000 was recognised in 2014 whereby the impairment charges in relation to two sites were reversed as a result of re-opening a site that was previously closed and changing the estimates used to determine the second site's recoverable amount. An impairment review performed in 2015 resulted in an impairment charge of £2,410,000 whereby the goodwill balance in relation to Structherm was fully impaired.

6. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Group:

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Wages and salaries	44,508	50,751	58,529
Other long-term employee benefits	4,021	4,568	4,305
Social security costs	4,599	4,921	5,462
Total employment cost expense	53,128	60,240	68,296

Other long-term employee benefits relate to the Group's contribution to the defined contribution pension scheme (refer to note 6(d)).

(b) Directors' emoluments

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	—	533	802
Company pension contributions to the defined contribution pension scheme	—	67	76
	—	600	878

No Directors' emoluments are disclosed in 2013, as the Forterra Building Products legal entity did not exist in 2013.

(c) Key management compensation

Key management personnel include members of senior management and above.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6. EMPLOYEES AND DIRECTORS (CONTINUED)

The following table details the expense recognised in the combined and consolidated income statements relating to the aggregate compensation of key management personnel.

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Wages and salaries	426	529	827
Benefits	61	71	78
	487	600	905

There are no defined benefit schemes for key management. Pension costs under defined contribution schemes are included in the benefits disclosed above.

(d) Retirement benefits

In the period under review the Group provided pension benefits to employees by way of defined contribution schemes.

The Group participated in the Hanson Industrial Pension Scheme (Defined Contribution Section) up to 13 March 2015. The Group's contributions to the defined contribution pension scheme were as follows: £4,021,000 in the year ended 31 December 2013, £4,568,000 in the year ended 31 December 2014 and £897,000 in the period to 13 March 2015. From 14 March 2015 the Group offered membership of the Hanson Building Products Personal Pension Plan now the Forterra Group Personal Pension Plan. The Group's contributions to the defined contribution pension scheme were £3,408,000 in the year ended 31 December 2015.

Historically, certain of the employees now employed by the Group had participated in the defined benefit section of HIPS until the scheme was closed to future accrual in 2010.

The predecessor entity of this Group which had previously been a participating employer of the HIPS defined benefit scheme continued to contribute to the scheme alongside other members of the HeidelbergCement AG Group. Pension contributions to the defined benefit section of this scheme in 2011-2014 were deficit reduction payments only. Deficit contributions to HIPS are paid by Hanson Quarry Products Europe Ltd ("HQPE"). There is no contractual agreement or stated policy for recharging to individual group entities the net defined benefit cost for the plan. The amounts recharged to the Group by HQPE and recognised as part of cost of sales and administrative expenses were £5,961,000 in the year ended 31 December 2013 and £4,064,000 in the 8 months from January to August 2014. Following the September 2014 reorganisation, the Forterra Building Products legal entity did not retain any liability for the HIPS defined benefit pension plan deficit and as such the recharges of deficit reduction contributions ceased.

In addition, from the period from 2010 until 13 March 2015 a group of approximately 50 employees continued to retain a salary link whereby their previously accrued defined benefit pension entitlement continued to grow in line with salary increases. On sale to Lone Star (as defined in note 26) this link was extinguished and any liability arising from the salary link benefit for the period 1 September 2014 to 13 March 2015 was effectively assigned to HQPE leaving Forterra Building Products Limited free of all defined benefit pension liabilities.

7. EXPENSES BY NATURE (BEFORE EXCEPTIONAL ITEMS)

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Raw materials and packaging	54,510	61,540	65,085
Change in inventories	8,524	(2,257)	(10,304)
Employment cost expense	53,128	60,240	68,296
Energy expense	20,558	21,002	18,865
Depreciation and amortisation	10,619	9,401	9,427
Operating lease expense	3,853	4,268	5,229
Corporate allocations/recharges from HC	9,955	10,649	1,788

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

7. EXPENSES BY NATURE (BEFORE EXCEPTIONAL ITEMS) (CONTINUED)

The corporate recharges from HC relate to the allocations through HQPE, an HC group company, for certain shared services (as described in note 2). This excludes the pension recharges which are disclosed as exceptional items (note 5).

The increase in the employment cost expense in 2015 arose from an increase in headcount partly driven by the services previously provided by the HC shared services centre being brought in-house.

8. OTHER OPERATING INCOME

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Rental income	443	516	95
Profit/(loss) on disposal of fixed assets	32	(474)	30
Other income	1,006	1,068	380
Total other operating income	1,481	1,110	505

9. NET FINANCE EXPENSE

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Interest payable on borrowings	(83)	(4,138)	(27,461)
Other finance (expense)/income	(286)	(1,123)	126
Net finance expense	(369)	(5,261)	(27,335)

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Current tax:			
UK corporation tax on profit for the year	939	8,099	5,196
Total current tax	939	8,099	5,196
Origination and reversal of temporary differences	1,851	1,252	(1,256)
Effect of changes in tax rates	272	(91)	215
Total deferred tax (note 21)	2,123	1,161	(1,041)
Income tax expense	3,062	9,260	4,155

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Profit on ordinary activities before tax	1,513	33,415	22,200
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 20.25% (2014: 21.5%, 2013: 23.25%)	352	7,184	4,496
Effects of:			
Effect of change in tax rate	272	(91)	215
Expenses not deductible for tax purposes	2,438	2,167	1,970
Effect of market value uplift to land tax base following de-grouping	—	—	(2,172)
Effect of prior period adjustments	—	—	(354)
Income tax expense	3,062	9,260	4,155

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

10. INCOME TAX EXPENSE (CONTINUED)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for the year ended 31 December 2015 are taxed at an effective rate of 20.25%, falling to 20.00% in 2016. During the year ended 31 December 2015, the UK Government enacted reductions in the rate of corporation tax from 20% to 19% with effect from 1 April 2017 and then to 18% from 1 April 2020. Deferred tax has been calculated based on the tax rates expected to apply in the year the underlying temporary differences will unwind.

Deferred tax expected to reverse in future periods has been measured using the effective tax rate that will apply in the UK for the period.

11. EARNINGS PER SHARE

Earnings per share is not disclosed as required by IAS 33 'Earnings per Share' as the historical financial information has not been prepared on a consolidated basis for all periods presented.

The ultimate share structure of the Group will change on initial public offering, therefore earnings per share on historical basis are not representative of the Group's intended structure.

12. INTANGIBLE ASSETS

(a) Cost, amortisation and net book value of intangible assets

	<u>Goodwill</u> £000s	<u>Brand name</u> £000s	<u>Other</u> £000s	<u>Total</u> £000s
As at 1 January 2013:				
Cost	428,306	10,700	14,293	453,299
Accumulated amortisation and impairment	(419,907)	(4,700)	(10,650)	(435,257)
Net book value	<u>8,399</u>	<u>6,000</u>	<u>3,643</u>	<u>18,042</u>
As at 31 December 2013:				
Additions	—	—	672	672
Disposals	—	—	(423)	(423)
Impairment charge	—	—	(1,103)	(1,103)
Amortisation charge	—	—	(601)	(601)
Closing net book amount	<u>8,399</u>	<u>6,000</u>	<u>2,188</u>	<u>16,587</u>
Cost	428,306	10,700	14,542	453,548
Accumulated amortisation and impairment	(419,907)	(4,700)	(12,354)	(436,961)
Net book value	<u>8,399</u>	<u>6,000</u>	<u>2,188</u>	<u>16,587</u>
As at 31 December 2014:				
Additions	—	—	593	593
Disposals	—	—	(283)	(283)
Impairment charge	—	—	—	—
Amortisation charge	—	—	(300)	(300)
Closing net book amount	<u>8,399</u>	<u>6,000</u>	<u>2,198</u>	<u>16,597</u>
Cost	428,306	10,700	16,452	455,458
Accumulated amortisation and impairment	(419,907)	(4,700)	(14,254)	(438,861)
Net book value	<u>8,399</u>	<u>6,000</u>	<u>2,198</u>	<u>16,597</u>
As at 31 December 2015:				
Additions	—	—	—	—
Disposals	—	—	(593)	(593)
Impairment charge	(2,410)	—	—	(2,410)
Amortisation charge	—	—	(309)	(309)
Closing net book amount	<u>5,989</u>	<u>6,000</u>	<u>1,296</u>	<u>13,285</u>
Cost	428,306	10,700	15,859	454,865
Accumulated amortisation and impairment	(422,317)	(4,700)	(14,563)	(441,580)
Net book value	<u>5,989</u>	<u>6,000</u>	<u>1,296</u>	<u>13,285</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

12. INTANGIBLE ASSETS (CONTINUED)

The brand name category comprises the acquired Thermalite brand.

The Other intangibles category consists of clay rights, merchant relationships, carbon emissions, order book, patent, development costs and software.

Amortisation charges for clay rights are treated as cost of sales and amortisation charges for all other intangible assets are treated as administrative expenses in the combined and consolidated income statements.

Substantially all of Forterra Building Products Limited's assets are pledged as security. Refer to note 25 for further detail.

(b) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist of brand name and carbon emissions. Impairment testing is carried out at the CGU level, the Blocks operating segment in case of the brand on an annual basis. The following is a summary of the indefinite life intangible allocation for each reportable segment:

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Brand name:			
Bricks and Blocks	6,000	6,000	6,000
Carbon emissions:			
Bricks and Blocks	282	592	—

The Group estimates the recoverable amount of a CGU using a value in use model by projecting pre-tax cash flows for the next five years together with a terminal value using a growth rate. The key assumptions underpinning the recoverable amount of the CGUs tested for impairment are forecast revenue and capital expenditure.

The forecast revenues in the model are based on the overall growth rates for the UK blocks market, with adjustments made for incremental growth relating to management actions. The five year plans used in the impairment models are based on management's past experience and future expectations of performance. The discount rate used in 2015 is pre-tax 10% (2014: 10.8%, 2013: 11%) derived from a WACC calculation and benchmarked against similar organisations operating within the sector. The terminal growth rate used in 2015 is 2% (2014: 2%, 2013: 1.99%). The short-term growth rate is 2% in 2015 (2014: 7%, 2013: 4%).

The total recoverable amount in respect of the indefinite life intangibles, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment charge has been booked in each period. Management consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess. The accumulated impairment charge of £4,700,000 brought forward as at 1 January 2013 was recognised in relation to brand names in 2009.

(c) Intangible assets with definite useful lives

Intangible assets with definite useful lives consist of clay rights, merchant relationships, order books, development costs and patents. Due to the uncertainty present at the end of 2013 regarding the strength and timing of the economic recovery, management performed an impairment review based on estimated cash flows of all the intangible assets with definite useful lives. An impairment charge of £308,000 was recognised in relation to clay rights and an impairment charge of £795,000 was recognised in relation to merchant relationships. The estimated value in use of clay rights and merchant relationships was determined using a discounted cash flow analysis. Merchant relationships and clay rights are within the Bricks and Blocks reportable segment.

(d) Impairment tests for goodwill

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projects based on financial budgets approved by management

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

12. INTANGIBLE ASSETS (CONTINUED)

covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the bricks industry.

Goodwill relates to the Bespoke Products reportable segment and is allocated to the Formpave and Structherm CGUs (2013 and 2014: £5,989,000 relates to Formpave and £2,410,000 to Structherm. 2015: £5,989,000 relates to Formpave and £nil relates to Structherm). For each of the CGUs with a significant amount of goodwill the key assumptions, growth rate and discount rate used in the value-in-use calculations are as follows:

	<u>Formpave</u>	<u>Structherm</u>
	%	%
31 December 2013:		
Terminal growth rate	2	2
Short-term growth rate	4	4
Pre-tax discount rate	13.1	12.7
31 December 2014:		
Terminal growth rate	2	2
Short-term growth rate	4	4
Pre-tax discount rate	13.1	12.7
31 December 2015:		
Terminal growth rate	2	2
Short-term growth rate	4	0 post 2016
Pre-tax discount rate	10	10

For 2013 and 2014, a reasonably possible change in key assumptions would not eliminate the headroom in either of the two CGUs. For 2015, a reasonably possible change in key assumptions would not eliminate the headroom in the Formpave CGU.

The goodwill in relation to Structherm, a business that accounts for c.1% of total Group revenue, was fully impaired in 2015. Structherm's performance is linked to local authority spending on property maintenance/improvement. Lower levels of local authority spending coupled with a loss of key management at the end of 2015 led to a deterioration in business performance and the carrying value of goodwill was reduced to reflect this.

The impairment expense is included within administrative expenses in the combined and consolidated statements of comprehensive income.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u> £000s	<u>Plant and machinery</u> £000s	<u>Total</u> £000s
At 1 January 2013:			
Cost	123,155	205,267	328,422
Accumulated depreciation and impairment	(42,621)	(132,807)	(175,428)
Net book amount	<u>80,534</u>	<u>72,460</u>	<u>152,994</u>
As at 31 December 2013:			
Additions	187	2,728	2,915
Disposals	(1,249)	(67)	(1,316)
Impairment charge	(2,002)	(195)	(2,197)
Depreciation charge	(1,810)	(8,208)	(10,018)
Closing net book amount	<u>75,660</u>	<u>66,718</u>	<u>142,378</u>
Cost	122,071	206,928	328,999
Accumulated depreciation and impairment	(46,411)	(140,210)	(186,621)
Net book amount	<u>75,660</u>	<u>66,718</u>	<u>142,378</u>
As at 31 December 2014:			
Additions	679	6,054	6,733
Disposals	(79)	(596)	(675)
Impairment reversal	5,327	184	5,511
Depreciation charge	(1,718)	(7,383)	(9,101)
Closing net book amount	<u>79,869</u>	<u>64,977</u>	<u>144,846</u>
Cost	122,672	210,273	332,945
Accumulated depreciation and impairment	(42,803)	(145,296)	(188,099)
Net book amount	<u>79,869</u>	<u>64,977</u>	<u>144,846</u>
As at 31 December 2015:			
Additions	1,460	12,483	13,943
Disposals	(124)	(3)	(127)
Depreciation charge	(1,847)	(7,271)	(9,118)
Closing net book amount	<u>79,358</u>	<u>70,186</u>	<u>149,544</u>
Cost	123,920	222,613	346,533
Accumulated depreciation and impairment	(44,562)	(152,427)	(196,989)
Net book amount	<u>79,358</u>	<u>70,186</u>	<u>149,544</u>

The Group recorded the impairment charges of £3,729,000 in 2008-2012 and £2,197,000 in 2013 in relation to the assets at the Wilnecote and Howley Park sites as the carrying values exceeded the amount that could be yielded from use or sale of these facilities, and in relation to the assets at the Accrington site as a result of its closure.

An impairment reversal of £5,511,000 was recognised in 2014. This was as a result of re-opening Accrington and changing the estimates used to determine the Howley Park site's recoverable amount.

The impairment expense and reversals are included within administrative expenses in the combined and consolidated statements of comprehensive income.

Substantially all of Forterra Building Products Limited's assets are pledged as security. Refer to note 25 for further detail.

14. FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Financial risk management is carried out under policies approved by the Board of directors ("the Board"). The Board approves principles for overall risk management, as well as for specific areas, such as interest rate risk, credit risk and liquidity risk, and receives regular reports on such matters.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(i) Market risk

The Group's borrowings are a loan with its immediate parent undertaking (note 19). Cash flow risk resulting from interest rates is limited to this and, as a result, the directors do not consider it significant. The directors continue to monitor the Group's funding requirements and external debt markets to ensure that the Group's borrowings are appropriate to its requirements in terms of quantum, rate and duration. The directors acknowledge that fixed rate debt exposes the Group to fair value risk, but, after considering expectations of future interest rate movements, believe this risk to be within a reasonable tolerance for the current needs of the business. Since this fair value interest rate risk arises as a result of market interest rate fluctuations in comparison to the Group's fixed rates, it does not affect profit or loss or equity.

The Group uses significant amounts of energy, including natural gas and electricity, in the manufacturing, distribution and sale of the Group's products and as such the Group is exposed to energy price risk. Management's risk strategy aims to provide protection against sudden and significant increases in prices whilst ensuring that the Group is not competitively disadvantaged in the event of a substantial fall in the price of fuel.

To meet these objectives the Group enters into energy forward contracts from time to time available on the over-the-counter ("OTC") markets with approved counterparties and within approved limits. There were no fuel derivatives in place at 31 December 2013, 2014 and 2015. The value of wholesale fuel covered by derivatives at 31 December 2013, 2014 and 2015 was £nil. The following table demonstrates the sensitivity of a reasonably possible change in fuel prices, with all other variables held constant:

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Energy expense	20,558	21,002	18,865
1% increase in wholesale fuel price (excluding duty)	206	210	189

(ii) Credit risk

Credit risk is the potential exposure of the Group to loss in the event of non-performance by a counterparty. The Group has implemented policies to manage potential credit risk before sales are made, and the Directors do not expect any significant losses of receivables that have not been provided for. Credit risk is managed on a Group basis through credit approval limits and insurance where applicable.

Customer credit terms are regularly updated to reflect any identified and relevant changes in customer circumstances or trading conditions. An internal assessment is made of the credit quality of the customer, taking into account their financial position, past experience and other factors.

There is no concentration of credit risk with respect of trade receivables, as the largest customers disclosed in note 4 have the highest credit rating.

(iii) Liquidity risk

Group finance regularly monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance. Maturity analysis is provided in: note 16 for Trade and other receivables; note 18 for Trade and other payables; and note 19 for Borrowings from related parties. Management do not consider there to be a significant risk that the outflow of cash could occur significantly earlier or for a significantly different amount.

The Group's borrowings from related parties (note 19) are repayable on demand which poses a liquidity risk. However management do not expect the related party with whom the borrowings are with will demand repayment.

In addition, the Group has participated in a programme to sell accounts receivable to certain third party banking institutions on a largely non-recourse basis from November 2012 until February 2015 to manage both credit and liquidity risk.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Net debt is defined as total Borrowings from related parties less Cash and cash equivalents. Refer to note 17 for Cash and cash equivalents and note 19 for Borrowings from related parties. Total capital is defined as net debt plus 'equity' as shown in the combined and consolidated statements of financial position. Refer to the statement of changes in equity for the movements in equity.

15. INVENTORIES

The cost of inventories recognised as an expense and included in costs of sales is 31 December 2013: £100,470,048, 31 December 2014: £103,539,580 and 31 December 2015: £103,088,821, of which employment cost expense is 31 December 2013: £37,436,204, 31 December 2014: £44,257,023 and 31 December 2015: £48,749,094.

Write downs of inventories recognised as an expense were 31 December 2013: £334,000, 31 December 2014: £156,000 and 31 December 2015: £2,354,150.

Reversals of previous inventory write downs were 31 December 2013: £1,641,000, 31 December 2014: £561,000 and 31 December 2015: £243,000.

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Raw materials	4,931	5,446	5,277
Finished goods	21,183	22,954	32,892
Work in progress	1,692	1,899	1,671
Other inventory	557	321	1,084
Total inventories	28,363	30,620	40,924

16. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Amounts falling due within one year:			
Trade receivables not due	14,090	11,157	18,181
Trade receivables past due but not impaired	7,655	5,377	8,791
Trade receivables past due but impaired	1,072	681	979
Total trade receivables (gross of provision for impairment of trade receivables)	22,817	17,215	27,951
Other receivables	1,268	2,398	216
Prepayments	501	1,972	1,370
Total trade and other receivables (gross of provision for impairment of trade receivables)	24,586	21,585	29,537

Trade and other receivables are all current and any fair value difference is not material. Trade and receivables are considered past due once they have passed their contracted due date. Provisions are made when there is evidence of a risk of non-payment.

The carrying amounts of the Group's trade and other receivables are all denominated in pounds sterling.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the Group provision for impairment of trade receivables are as follows:

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
At 1 January	1,244	1,072	681
Provision for receivables impairment	33	(337)	298
Receivables written off during the year as uncollectible	(205)	(54)	—
Total provision for impairment of trade receivables	1,072	681	979

The creation and release of provisions for impaired receivables has been included in administrative expenses in the combined and consolidated income statements. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The trade receivables that are neither past due nor impaired relate to customers of whom there is no recent history of default. These amounts have not been impaired as there has not been significant change in credit quality and the amounts are still considered recoverable.

The aging profile of trade receivables that are past due is:

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Days overdue			
1 to 30 days	3,596	3,365	5,600
31 to 60 days	1,921	1,289	1,786
61 to 90 days	238	425	612
Over 90 days	2,972	979	1,772
Total trade receivables past due (gross of provision for impairment of trade receivables)	8,727	6,058	9,770

Financing expenses related to asset backed securities were 31 December 2013: £168,000, 31 December 2014: £198,000 and 31 December 2015: £30,000, and are included within net finance expense in the combined and consolidated income statements. Other expenses related to asset backed securities were 31 December 2013: £273,000, 31 December 2014: £332,000 and 31 December 2015: £nil, and are included in other operating income in the combined and consolidated income statements. The outstanding balance of receivables sold and not yet collected was 31 December 2013: £5,224,000, 31 December 2014: £9,357,000 and 31 December 2015: £nil.

17. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Cash at bank and in hand	13,811	20,978	24,189
Total cash and cash equivalents	13,811	20,978	24,189

Cash at bank and in hand is held in pounds sterling in 2013 and 2014. As at 31 December 2015, £357,000 was held in euro, the remaining £23,832,000 was held in pounds sterling.

Prior to the sale to Lone Star (as defined in note 26), treasury activities, including activities related to the Group, were centralised by HC such that the net cash collections were automatically distributed to HC and reflected as transactions with owners, recognised directly in equity prior to 1 September 2014 and as related party transactions between September 2014 and February 2015 after which the cash pooling arrangement ceased. At times, the Group had cash balances due to timing differences and this is what cash at bank and in hand represents. Post the sale to Lone Star, cash and cash equivalents balance is made up of cash at bank and in hand that is no longer linked to the HC distributions.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. TRADE AND OTHER PAYABLES

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Trade payables	15,374	18,898	27,922
Payroll tax and other statutory liabilities	1,342	830	2,080
Liabilities under asset-backed securities	2,581	3,696	—
Accrued liabilities and other payables	19,893	17,501	25,608
Total trade and other payables	39,190	40,925	55,610

The fair value of financial liabilities approximates their carrying value due to short maturities. Financial liabilities are denominated in pounds sterling.

19. BORROWINGS FROM RELATED PARTIES

On 1 September 2014, the Company issued 11 loan notes totalling £405,000,000 to Hanson Packed Products Limited, a fellow group undertaking. The balance outstanding as at 31 December 2014 remained at £405,000,000. The interest rate was 3 month GBP LIBOR plus 2.5% in the period. The loan notes are unsecured and repayable on demand.

On 13 March 2015 Lone Star (as defined in note 26), through its wholly owned subsidiary LSF9 Stardust Holdings LLC, ("LSF9", a US incorporated limited liability company), completed the acquisition of the Company. On this date the immediate parent company became LSF9 Concrete UK Limited, an entity incorporated in Jersey. The immediate parent also repaid and reissued the £405,000,000 of loan notes at this time and they were consolidated into a new single note to the value of £405,000,000. On 1 April 2015 the Company entered into an agreement with its parent undertaking to amend the terms of the loan note such that the interest rate was changed to a fixed 8% per annum. The loan note continues to be repayable on demand.

Total borrowings of £405,578,000 as at 31 December 2015 include accrued interest of £578,000.

The fair value of borrowings from related parties approximates their carrying value as the impact of discounting is not significant.

20. PROVISIONS

	As at 31 December 2013		
	Asset retirement obligation	Other	Total
	£000s	£000s	£000s
At 1 January	11,889	3,618	15,507
Charged/(credited) to the income statement			
- Additional provisions	341	1,173	1,514
- Releases of provisions	(1,103)	(296)	(1,399)
- Utilised amounts	(960)	(1,814)	(2,774)
- Unwind of discount	286	—	286
At 31 December	10,453	2,681	13,134

	As at 31 December 2014		
	Asset retirement obligation	Other	Total
	£000s	£000s	£000s
At 1 January	10,453	2,681	13,134
Charged/(credited) to the income statement			
- Additional provisions	613	2,246	2,859
- Releases of provisions	746	(686)	60
- Utilised amounts	(279)	(1,216)	(1,495)
- Unwind of discount	279	—	279
At 31 December	11,812	3,025	14,837

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

20. PROVISIONS (CONTINUED)

	As at 31 December 2015		
	Asset retirement obligation	Other	Total
	£000s	£000s	£000s
At 1 January	11,812	3,025	14,837
Charged/(credited) to the income statement			
- Additional provisions	549	1,814	2,363
- Releases of provisions	(630)	(659)	(1,289)
- Utilised amounts	(431)	(963)	(1,394)
- Unwind of discount	356	—	356
At 31 December	11,656	3,217	14,873

Analysis of total provisions:

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Non-current	10,551	11,812	11,656
Current	2,583	3,025	3,217
	13,134	14,837	14,873

(a) Asset retirement obligation (“ARO”)

The Group is required to dismantle equipment and restore sites to their original state upon vacation of a site. The ARO provision is based on the best estimate of the amount required to settle the obligation, taking account of suitably qualified and experienced consultants and after establishing the costs in line with current practice and standards. It is discounted by applying a discount rate that reflects the passage of time. This estimate is revised annually and adjusted against the asset to which it relates, which is then subject to an impairment assessment. These costs are expected to be incurred over the useful life of the sites which is a period of up to 50 years.

The releases of provisions in the tables above include the following amounts related to the change in discount and inflation rates: 2015: (£485,000), 2014: £599,000, 2013: (£595,000).

(b) Other

Other provisions are made up of carbon emissions, dilapidation, defective materials, restructuring and legal provisions.

Regarding carbon emissions, a provision is recognised for the obligation to deliver allowances equal to the emissions that have been made. The provision is measured as an estimate of expenditure required to settle the present obligation at the balance sheet date or at the carrying amount of the emission rights, to the extent covered by the emission rights. The provision is expected to be utilised within the following year.

All non-current provisions are discounted at a rate of 2.65% (2014: 2.41%, 2013: 3.57%).

21. DEFERRED TAX

The analysis of deferred tax assets is as follows:

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	1,914	753	1,794
Total deferred tax assets	1,914	753	1,794

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21. DEFERRED TAX (CONTINUED)

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

	Fixed assets £000s	Provisions £000s	Intangible assets £000s	Land £000s	Total £000s
Deferred tax assets:					
At 1 January 2013	6,718	2,065	(2,122)	(2,624)	4,037
(Charged)/credited to the income statement	(2,150)	(332)	390	241	(1,851)
Effect of rate changes	(575)	(223)	218	308	(272)
At 31 December 2013	<u>3,993</u>	<u>1,510</u>	<u>(1,514)</u>	<u>(2,075)</u>	<u>1,914</u>
(Charged)/credited to the income statement	(1,642)	334	56	—	(1,252)
Effect of rate changes	114	(23)	—	—	91
At 31 December 2014	<u>2,465</u>	<u>1,821</u>	<u>(1,458)</u>	<u>(2,075)</u>	<u>753</u>
Prior period adjustment	616	(160)	108	(210)	354
(Charged)/credited to the income statement	(1,326)	3	53	—	(1,270)
Effect of market value uplift to land tax base following de-grouping	—	—	—	2,172	2,172
Effect of rate changes	(168)	(165)	129	(11)	(215)
At 31 December 2015	<u>1,587</u>	<u>1,499</u>	<u>(1,168)</u>	<u>(124)</u>	<u>1,794</u>

22. CALLED UP SHARE CAPITAL

	As at 31 December		
	2013 £000s	2014 £000s	2015 £000s
Allotted, called up and fully paid			
89,627 ordinary shares of £1 each	—	90	90
	<u>—</u>	<u>90</u>	<u>90</u>

23. DIVIDENDS

No dividends have been paid or declared in 2013, 2014 and 2015.

24. COMMITMENTS AND CONTINGENCIES

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

	As at 31 December		
	2013 £000s	2014 £000s	2015 £000s
Land and buildings			
Within one year	614	517	764
Between one and five years	1,599	1,474	2,402
After five years	3,119	2,902	4,210
	<u>5,332</u>	<u>4,893</u>	<u>7,376</u>
Other			
Within one year	3,066	3,901	5,967
Between one and five years	10,348	13,931	19,746
After five years	3,230	2,056	2,007
	<u>16,644</u>	<u>19,888</u>	<u>27,720</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other commitments include the Group's leased distribution fleet.

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

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Property, plant and equipment	942	850	2,275

The Group has no contingent liabilities and no contingent assets.

25. RELATED PARTY TRANSACTIONS

Up to the 13 March 2015, the related parties were entities within HeidelbergCement AG Group. From 13 March 2015 onwards, the related parties are entities under common ownership by Lone Star (as defined in note 26).

The transactions and balances between the entities within the Group are eliminated in this combined and consolidated historical financial information.

The transactions with the related parties have been undertaken in the normal course of business and on an arm's length basis.

Certain transactions with related parties have been recognised directly in equity, as disclosed in note 2.

(a) Transactions with related parties

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Purchases from related parties	(15,466)	(14,907)	(3,249)

	Year ended 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Financing activities and corporate recharges recognised directly in equity . . .	4,709	60,756	—

(b) Period end balances arising from transactions with related parties

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Receivables from related parties	60	7,325	23,015
Cash pooling balance receivable from HC	41,229	1,635	—
	41,289	8,960	23,015

	As at 31 December		
	2013	2014	2015
	£000s	£000s	£000s
Payables to related parties	904	5,173	13,903
Cash pooling balance payable to HC	—	6,313	—
	904	11,486	13,903

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

25. RELATED PARTY TRANSACTIONS (CONTINUED)

A movement of £123,129,000 on the cash pooling balance was recognised directly in equity as part of the September 2014 reorganisation described in note 2a). The cash pooling payable to HC for the year ended 31 December 2014 represents the movement on the cash pooling account attributable to the Forterra Building Products legal entity following the September 2014 reorganisation. The balance on the cash pooling account was settled at the date Lone Star (as defined in note 26) acquired the Company.

In addition to the above, the borrowings from the related parties are disclosed in note 19 Borrowings from related parties. The issuance of shares to a related party is described in note 2a.

Key management compensation information is provided in note 6.

Following the acquisition by LSF9 Concrete UK Ltd, the Company entered into a number of fixed charges over certain freehold property and other assets to provide security for the borrowings of certain group companies. On 13 March 2015 Forterra Building Products Limited became a guarantor to Senior Lien and Junior Lien term loans and ABL credit agreements on behalf of fellow group undertakings – Stardust Finance Holdings, Inc., Hanson Brick America, Inc., Hanson Brick East, LLC, Hanson Pipe & Precast LLC, and Hanson Pressure Pipe, Inc.; alongside a number of other group guarantors. Under these arrangements a number of fixed and floating charges have the effect of pledging substantially all of Forterra Building Products Limited's assets as security. The total amount outstanding under these arrangements at 31 December 2015 is \$1,129,634,485 (2014: n/a, 2013: n/a).

There were no other commitments with related parties as at 31 December 2013, 2014 and 2015.

26. ULTIMATE PARENT UNDERTAKING

Prior to 13 March 2015, the Group's immediate parent undertaking was Hanson (ER – No 10) Limited, a company registered in England and Wales. The Group's ultimate parent undertaking was HeidelbergCement AG, a company registered in Germany.

Since 13 March 2015, the Group's immediate parent undertaking has been LSF9 Concrete UK Ltd, a company dual-registered in Jersey and England and Wales. The Group is jointly controlled by: Lone Star Fund IX (U.S.) L.P. (a limited partnership registered in the US); LSF IX Investments, L.P. (a limited partnership registered in the US); Lone Star Fund IX (Bermuda), L.P. (a limited partnership registered in Bermuda); and Lone Star Fund Parallel IX (Bermuda) L.P. (a limited partnership registered in Bermuda), together defined as "Lone Star". Lone Star are managed and advised by Lone Star Partners IX L.P., the general partner of Lone Star, and Lone Star Management Co, IX, Limited, the general partner of Lone Star Partners IX L.P. No partner of any of the limited partnership fund vehicles owns greater than a 10% interest in any of the limited partnerships.

27. POST BALANCE SHEET EVENTS

On 21 January 2016 the Group's parent undertaking Starzone plc (which subsequently changed its name to Forterra plc) was incorporated. Forterra plc was incorporated for the purpose of listing the UK operations of Forterra Building Products on the London Stock Exchange.

On 2 February 2016 the Group's intermediate parent undertaking Starzone Holdings Limited (which subsequently changed its name to Forterra Holdings Limited) was incorporated.

Immediately prior to Admission the Group will be released from the ABL intercreditor agreements under which it provides security on behalf of group undertakings.

28. OPENING STATEMENT OF FINANCIAL POSITION

The Group was formed via a group reconstruction on 1 September 2014. The Group has not previously prepared combined or consolidated financial statements and, accordingly, these combined and consolidated financial statements are the first that the Group has prepared which comply with IFRS applicable for periods beginning on or after 1 January 2015.

The combined and consolidated financial statements include the results for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and statement of financial position as at each date.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. OPENING STATEMENT OF FINANCIAL POSITION (CONTINUED)

The individual entities within the Group have previously prepared, and continued to prepare, their financial statements under their respective local generally accepted accounting principles (“GAAP”).

In preparing these financial statements, the Group’s opening statement of financial position was prepared as at 1 January 2013, the Group’s deemed date of transition to IFRS, and was as follows:

	<u>As at 1 January</u> <u>2013</u> <i>£000s</i>
Assets	
Non-current assets	
Intangible assets	18,042
Property, plant and equipment	152,994
Deferred tax assets	4,037
	<u>175,073</u>
Current assets	
Inventories	36,887
Trade and other receivables	22,603
Trade receivables with related parties	20,075
Cash and cash equivalents	13,389
	<u>92,954</u>
Total assets	<u>268,027</u>
Capital and reserves attributable to the equity shareholders of the parent	
HeidelbergCement AG invested capital	211,468
Total equity	<u>211,468</u>
Non-current liabilities	
Provisions for other liabilities and charges	11,987
	<u>11,987</u>
Current liabilities	
Trade and other payables	33,222
Trade payables to related parties	7,830
Provisions for other liabilities and charges	3,520
	<u>44,572</u>
Total liabilities	<u>56,559</u>
Total equity and liabilities	<u><u>268,027</u></u>

PART 12

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A – Unaudited pro forma financial information

Set out below is an unaudited pro forma statement of net assets of the Group as at 31 December 2015. It has been prepared on the basis set out in the notes below and in accordance with Annex II of the Prospectus Rules to illustrate the impact of the Offer and the Reorganisation on the net assets of the Group, had these taken place as at 31 December 2015.

The unaudited pro forma information has been prepared for illustrative purposes only and, by its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. Such information may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The unaudited pro forma information is based on the audited consolidated net assets of the Group as at 31 December 2015 as shown in Section B of Part 11 (*Historical Financial Information*) of this Prospectus and is compiled on a basis consistent with the accounting policies of the Group. Other than the adjustments detailed below, no adjustments have been made to take account of trading, expenditure or other movements subsequent to 31 December 2015, being the date of the last published balance sheet of the Group.

There is no financial information for the Company, which was incorporated on 21 January 2016; accordingly, the Company is excluded from the unaudited pro forma statement of net assets.

The unaudited pro forma information does not constitute financial statements within the meaning of section 434 of the 2006 Act. Investors should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus.

	Consolidated net assets of the Group as at 31 December 2015	Estimated fees in relation to the Offer	Re- organisation	Unaudited pro forma net assets as at 31 December 2015
	£000s Note 1	£000s Note 2	£000s Note 3	£000s
Assets				
Non-current assets				
Intangible assets	13,285	—	—	13,285
Property, plant and equipment	149,544	—	—	149,544
Deferred tax assets	1,794	—	—	1,794
	164,623	—	—	164,623
Current assets				
Inventories	40,924	—	—	40,924
Trade and other receivables	28,558	—	—	28,558
Trade and other receivables with related parties	23,015	—	(23,015)	—
Cash and cash equivalents	24,189	(12,044)	16,398	28,543
	116,686	(12,044)	(6,617)	98,025
Total assets	281,309	(12,044)	(6,617)	262,648
Liabilities				
Non-current liabilities				
Borrowings	—	—	147,087	147,087
Provisions for other liabilities and charges	11,656	—	—	11,656
	11,656	—	147,087	158,743
Current liabilities				
Trade and other payables	55,610	(2,818)	—	52,792
Trade and other payables to related parties	13,903	—	(13,903)	—
Income tax liabilities	1,890	—	—	1,890
Borrowings from related parties	405,578	—	(405,578)	—
Borrowings	—	—	10,000	10,000
Provisions for other liabilities and charges	3,217	—	—	3,217
	480,198	(2,818)	(409,481)	67,899
Total liabilities	491,854	(2,818)	(262,394)	226,642
Net (liabilities)/assets	(210,545)	(9,226)	255,777	36,006

Notes

- (1) The financial information has been extracted without material adjustment from the combined and consolidated financial information of the Group as set out in Section B of Part 11 (*Historical Financial Information*) of this Prospectus.
- (2) The total estimated fees payable in connection with the Offer, exclusive of capitalised debt arrangement fees, are £14,365,000. £2,320,000 of transaction fees were paid prior to 31 December 2015, leaving £12,044,000 of fees to be paid out on Admission, including £2,818,000 which was accrued at 31 December 2015.
- (3) This column reflects the Reorganisation as set out in paragraph 3 of Part 14 (*Additional Information*) of this Prospectus as if the Reorganisation had taken place on 31 December 2015. Had the Reorganisation occurred on 31 December 2015 it would have resulted in a repayment of the £405,578,000 borrowings from related parties and settlement of £13,903,000 trade and other payables from related parties through drawdowns of £157,087,000 on the New Facilities (£160,000,000 net of £2,913,000 capitalised debt arrangement fees for the New Facilities of which £10,000,000 is a current liability), through settlement of trade and other receivables with related parties of £23,015,000 and the issue of £255,777,000 equity in the Company to the Selling Shareholder. Additional interest payable on the borrowings from related parties at the date of settlement will be £1,994,000, reflecting the interest accruing in the period from 31 March 2016 to the date of repayment. No adjustment has been made for this. Net amounts receivable from related parties have reduced by £5,816,000 in the period from 31 December 2015 to the date of the Reorganisation. No adjustment has been made for this.

Section B – Accountant’s report on the unaudited pro forma statement of net assets

The Directors
Forterra plc
5 Grange Park Court
Roman Way
Northampton NN4 5EA
United Kingdom

21 April 2016

Dear Sirs

Forterra plc

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part 12 of the prospectus prepared by Forterra plc (the “**Company**”) dated 21 April 2016 (the “**Prospectus**”), which has been prepared on the basis described in Notes 2 and 3, for illustrative purposes only, to provide information about how the fees in relation to the Offer and the Reorganisation might have affected the financial information presented on the basis of the accounting policies adopted by the Company, being those adopted in preparing the Forterra Building Products Limited historical financial information for the year ended 31 December 2015 included in section B of Part 11 of the Prospectus. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with, this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

PART 13

DETAILS OF THE OFFER

1. BACKGROUND

Pursuant to the Offer, the Selling Shareholder intends to sell 70,000,000 Ordinary Shares (the “**Offer Shares**”) for an aggregate amount of approximately £121.6 million, net of underwriting commissions, VAT (if applicable) and stamp duty or SDRT of approximately £4.4 million. The Offer Shares will represent approximately 35.0% of the issued ordinary share capital of the Company immediately following Admission.

A further 10,500,000 Over-allotment Shares (representing 15% of the maximum number of Ordinary Shares comprised in the Offer) are being made available by the Selling Shareholder pursuant to the Over-allotment Option as described in paragraph 8 of this Part 13 (*Details of the Offer*) of this Prospectus.

The Company will not receive any of the proceeds from the sale of the Offer Shares, all of which will be paid to the Selling Shareholder. The Company will bear one-off fees and expenses of an amount of approximately £17.3 million (including VAT to the extent it is a cost to the Company) in connection with the Offer and Admission.

2. THE OFFER

In the Offer, Ordinary Shares will be offered: (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in “offshore transactions” as defined, in, and pursuant to, Regulation S; and (ii) in the United States, only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the Ordinary Shares being sold under the Offer in jurisdictions outside the United Kingdom are described in paragraph 12 of this Part 13 (*Details of the Offer*) of this Prospectus.

When admitted to trading on the London Stock Exchange’s main market for listed securities, the Ordinary Shares will be registered with ISIN (International Security Identification Number) GB00BYYW3C20 and SEDOL (Stock Exchange Daily Official List) number BYYW3C2 and trade under the symbol “FORT”. The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes.

Immediately following Admission, it is expected that 28.3% of the Company’s issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules but including for these purposes investors outside the EEA) assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to 33.5% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

3. REASONS FOR THE OFFER

The Selling Shareholder is looking to realise part of its investment in the Group by way of the Offer.

In addition, the Directors believe that the Offer and Admission will:

- (a) position the Group for the next stage of its strategic growth, by providing it with an appropriate capital structure to take advantage of the growing UK housing market;
- (b) provide the Group with access to a wider range of capital raising options which may be of use in the future;
- (c) further improve the Group’s ability to recruit, retain and incentivise key management and employees; and
- (d) create a liquid market in the Ordinary Shares for existing and future Shareholders.

The Company will not receive any proceeds from the Offer. Net proceeds of approximately £121.6 million will be received by the Selling Shareholder from the sale of the Offer Shares (assuming no exercise of the Over-allotment Option), net of underwriting commissions, VAT (if applicable) and stamp duty or SDRT of approximately £4.4 million. No commissions, fees or expenses will be charged by the Company or the Selling Shareholder to any purchasers of Offer Shares.

The aggregate expenses of, or incidental to, Admission and the Offer incurred and to be borne by the Company are estimated to be approximately £17.3 million (including VAT to the extent it is a cost to the Company), which the Company intends to pay out of existing cash resources (to the extent they have not already been paid) and proceeds made available under the New Facilities.

4. **PRICING**

Under the Offer, all the Offer Shares will be sold, payable in full at the Offer Price. The latest time and date for indications of interest in acquiring Offer Shares is set out in Part 4 (*Expected Timetable of Principal Events and Offer Statistics*) of this Prospectus but that time may be extended at the discretion of the Company and the Selling Shareholder (with the agreement of the Joint Global Co-ordinators).

All Ordinary Shares sold pursuant to the Offer will be sold, payable in full, at the Offer Price. No commissions, fees or expenses will be charged by the Company or the Selling Shareholder to any purchasers of Offer Shares. Liability for UK stamp duty and SDRT is described in paragraph 14 of Part 14 (*Additional Information*) of this Prospectus.

5. **ALLOCATION**

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. The Ordinary Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Banks as described in the paragraph 8 of this Part 13 (*Details of the Offer*) of this Prospectus and in paragraph 9.1 of Part 14 (*Additional Information*) of this Prospectus. Allocations under the Offer will be determined in the sole discretion of the Selling Shareholder in consultation with the Joint Global Co-ordinators.

Upon accepting any allocation, prospective investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made. A number of factors have been considered in determining the Offer Price and basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares and the objective of establishing an orderly and liquid after-market in the Ordinary Shares. The Offer Price and the number of Offer Shares have been established at a level determined in accordance with these arrangements, taking into account indications of interest received from prospective investors.

6. **DEALING ARRANGEMENTS**

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Banks. Further details of the Underwriting Agreement are described in paragraph 9.1 of Part 14 (*Additional Information*) of this Prospectus.

Application has been made to the FCA for all the Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 26 April 2016. Settlement of dealings from that date will be on a three-day rolling basis. Prior to Admission, conditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. (London time) on 21 April 2016. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. The earliest date for such settlement of such dealings will be 26 April 2016. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**

Each investor will be required to undertake to pay the Offer Price for the Offer Shares sold to such investor in such manner as shall be directed by the Underwriters. It is expected that Ordinary Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

7. **WITHDRAWAL RIGHTS**

If the Company is required to publish any supplementary prospectus, applicants who have applied for Offer Shares under the Offer shall have at least two clear Business Days following the publication of the relevant supplementary prospectus within which to withdraw their application to acquire Offer Shares in its entirety. The right to withdraw an application to acquire Offer Shares in these circumstances will be available to all investors under the Offer. If the application is not withdrawn within the stipulated period, any application to apply for Offer Shares under the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published. Any supplementary prospectus will be published in accordance with the Prospectus Rules (and notification thereof will be made to a Regulatory Information Service) but will not be distributed to investors individually. Any such supplementary prospectus will be published online at www.forterrapl.co.uk and will be available in printed form free of charge at the registered office of the Company until 14 days after Admission.

8. **STABILISATION AND OVER-ALLOTMENT OPTION**

In connection with the Offer, Deutsche Bank, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other stabilising transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measure be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the Stabilising Period, the Selling Shareholder will have granted to the Stabilisation Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares up to a maximum of 15% of the Over-allotment Shares at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be purchased on the same terms and conditions as the Ordinary Shares being issued or sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 9.2 of Part 14 (*Additional Information*) of this Prospectus.

9. **CREST**

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Ordinary Shares in the CREST system.

Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

10. UNDERWRITING ARRANGEMENTS

The Banks have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to procure purchasers for the Offer Shares to be sold by the Selling Shareholder in the Offer, or, failing which, for the Banks to purchase such Offer Shares at the Offer Price.

The Underwriting Agreement contains provisions entitling the Banks to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer and these arrangements will lapse and any monies received in respect of the Offer will be returned to applicants without interest. The Offer is conditional upon, *inter alia*, Admission occurring not later than 8.00 a.m. (London time) on 26 April 2016 (or such later date and time as may be agreed in accordance with the terms of the Underwriting Agreement) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. Certain conditions contained in the Underwriting Agreement are related to events which are outside the control of the Company, the Directors, the Selling Shareholder and the Banks.

The Underwriting Agreement provides for the Banks to be paid commissions in respect of the Offer Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Banks may be retained, and any Ordinary Share acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 9.1 of Part 14 (*Additional Information*) of this Prospectus. Certain selling and transfer restrictions are set out below.

11. LOCK-UP ARRANGEMENTS

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators, issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, the Selling Shareholder and the Directors have agreed that, subject to certain exceptions, during the period of 180 days in respect of the Selling Shareholder, and 365 days in respect of the Directors, in each case from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators (such consent not to be unreasonably withheld or delayed), offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Further details of these arrangements are set out in paragraphs 9.1 and 9.2 of Part 14 (*Additional Information*) of this Prospectus.

12. SELLING RESTRICTIONS

The distribution of this Prospectus and the offer and sale of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Ordinary Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to purchase any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), no Ordinary Shares have been offered or will be offered pursuant to the Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Global Co-ordinators has been obtained to each such proposed offer or resale. The Company, the Selling Shareholder, the Banks and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Banks of such fact in writing may, with the prior consent of the Joint Global Co-ordinators, be permitted to acquire Ordinary Shares in the Offer.

United States

The Ordinary Shares have not been and will not be registered under the US Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Ordinary Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer of the Ordinary Shares an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

The Underwriting Agreement provides that the Banks may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Ordinary Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each acquirer of Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is: (i) a QIB within the meaning of Rule 144A; (ii) acquiring the Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein; (iii) acquiring the Ordinary Shares for investment purposes, and not with a view to further distribution of such Ordinary Shares; and (iv) aware, and each beneficial owner of the Ordinary Shares has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.
- (b) it understands that the Ordinary Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the US Securities Act and that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except: (i) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available); or (iv) pursuant to an effective registration statement under the US Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further: (i) understands that the Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Ordinary Shares established or maintained by a depositary bank; (ii) acknowledges that the Ordinary Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Ordinary Shares; and (iii) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions.
- (c) it understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR

RESALES OF THE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and

- (d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Ordinary Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Selling Shareholder, the Banks and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Australia

This Prospectus: (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia (“**Corporations Act**”); (b) does not purport to include the information required of a prospectus under Part 6 D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act, has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (“**ASIC**”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors (“**Exempt Investors**”) who are able to demonstrate that they: (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6 D.2 of the Corporations Act; and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Ordinary Shares may not be directly or indirectly purchased or sold, and no invitations to buy, the Ordinary Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Ordinary Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Ordinary Shares, each purchaser of Ordinary Shares represents and warrants to the Company, the Selling Shareholder, the Banks and their affiliates that such purchaser is an Exempt Investor.

As any offer of Ordinary Shares under this Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Ordinary Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Ordinary Shares each purchaser of Ordinary Shares undertakes to the Company, the Selling Shareholder, the Banks that such purchaser will not, for a period of 12 months from the date of issue or purchase of the Ordinary Shares, offer, transfer, assign or otherwise alienate those Ordinary Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Canada

The Ordinary Shares are being offered and sold in Canada only in the Provinces of Ontario, Québec, British Columbia and Alberta to those persons to whom they may be lawfully sold and only by persons permitted to sell such securities. This Prospectus is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities referred to herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the securities described herein and any representation to the contrary is an offence.

The Ordinary Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 – *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 – *Underwriting Conflicts* (“**NI 33-105**”), the Banks are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Market Rules of the Dubai Financial Services Authority (“**DFSA**”). This Prospectus is intended for distribution only to persons of a type specified in the Market Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any document in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for this Prospectus. The Ordinary Shares may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of Ordinary Shares should conduct their own due diligence on the Ordinary Shares. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

Hong Kong

This Prospectus has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Ordinary Shares other than: (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Ordinary Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Ordinary Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the “**FIEL**”) and disclosure under the FIEL has not been, and will not be, made with respect to the Ordinary Shares. Neither the Ordinary Shares nor any interest therein may be offered, sold, resold, or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organised under the laws of Japan.

Kuwait

This Prospectus is not for general circulation to the public in Kuwait. The Ordinary Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of Ordinary Shares in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990 and the implementing regulations thereto (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Ordinary Shares is being made in Kuwait, and no agreement relating to the sale of the Ordinary Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Ordinary Shares in Kuwait.

Qatar

The Ordinary Shares have not been and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering. No application has been or will be made for the Ordinary Shares to be listed or traded on the Qatar Exchange or the QE Venture Market. This Prospectus has not been, and will not be, reviewed or approved by or registered or filed with the Qatar Central Bank, the Qatar Financial Markets Authority, Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange and may not be publicly distributed. This Prospectus is intended for the original recipient only and must not be provided to any other person. It is not for general circulation in the State of Qatar and may not be reproduced or used for any other purpose.

Singapore

The Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the “SFA”) and, accordingly, the Ordinary Shares may not be offered or sold, nor may the Ordinary Shares be the subject of an invitation for purchase, nor may the Prospectus or any other document or material in connection with the offer or sale, or invitation for purchase of the Ordinary Shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than: (a) to an institutional investor under section 274 of the SFA; (b) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275, of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Ordinary Shares are acquired by persons who are relevant persons specified in section 276 of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person defined in section 275(2) of the SFA, or to any person arising from an offer referred to in section 275(1A) or section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in section 276(7) of the SFA; or
 - (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Ordinary Shares and Debentures) Regulations 2005 of Singapore.

South Africa

This Prospectus does not constitute a solicitation for investments from members of the public in terms of the South African Collective Investment Schemes Control Act, 45 of 2002 (as amended or re-enacted).

This Prospectus and/or the sale of the Ordinary Shares as envisaged in the terms of this Prospectus does not constitute an “offer to the public” (as that term is defined in the South African Companies Act, 71 of 2008 (as amended or re-enacted) (the “**South African Companies Act**”)) in South Africa and this Prospectus does not, nor is it intended to, constitute a “registered prospectus” (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act. Accordingly, this Prospectus does not comply with the substance and form requirements for prospectuses set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, the JSE Limited or any other South African authority.

No South African resident may subscribe for, or purchase, any of the Ordinary Shares, or beneficially own or hold any of the Ordinary Shares, unless such subscription, purchase, or beneficial holding or ownership is otherwise permitted under the South African exchange control regulations or the rulings promulgated thereunder or specific approval has been obtained from the Financial Surveillance Department of the South African Reserve Bank, and any potential investor will be required to warrant that such potential investor has the requisite exchange control approvals in place for making an investment.

This Prospectus and any attachments thereto constitute factual, objective information and nothing contained herein should be construed as constituting any form of investment advice or recommendation, guidance or proposal of a financial nature. The drafters of this Prospectus are not financial services providers licensed as such under the South African Financial Advisory and Intermediary Services Act, 37 of 2002 (as amended or re-enacted) in South Africa and nothing in this Prospectus should be construed as constituting the canvassing for, or marketing or advertising of financial services in South Africa.

Pursuant to the South African Banks Act, 94 of 1990 (as amended or re-enacted), no action has been taken that will permit the issue or sale of Ordinary Shares to the general public in South Africa or that will permit the solicitation or advertising for the subscription for, or purchase of, the Ordinary Shares by investors in South Africa. Accordingly, this Prospectus does not constitute an invitation to investors in South Africa to subscribe for, or purchase, the Ordinary Shares, or the solicitation of an offer for the subscription for, or purchase of, the Ordinary Shares by investors in South Africa. The Ordinary Shares will not be offered to prospective investors in South Africa for subscription or purchase, or allotted and issued or sold to investors in South Africa other than on a reverse solicitation basis to a limited number of institutional investors who fall within the exemptions set out in section 96(1)(a) of the South African Companies Act and have the necessary exchange control approval to subscribe for, purchase, own or hold the Ordinary Shares.

Switzerland

Notice to investors in Switzerland

The Ordinary Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland.

The Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither the Prospectus nor any other offering or marketing material relating to the Ordinary Shares or the Offer may be publicly distributed or otherwise made publicly available in Switzerland.

Neither the Prospectus nor any other offering or marketing material relating to the Offer, the Company or the Ordinary Shares has been or will be filed with, and the offer of the Ordinary Shares will not be supervised by, the Swiss Finance Market Supervisory Authority FINMA, and the offer of the Ordinary Shares has not been and will not be authorised under the Swiss Federal Act on collective investment schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Ordinary Shares.

United Arab Emirates

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by or filed with the UAE Central Bank, the UAE Securities and Commodities Authority (“SCA”) or any other authorities in the United Arab Emirates (“UAE”), nor have the Banks received authorisation or licensing from the UAE Central Bank, SCA or any other authorities in the UAE to market or sell securities or other investments within the UAE. No marketing of any financial products or services has been or will be made from within the UAE other than in compliance with the laws of the UAE and no subscription to any securities or other investments may or will be consummated within the UAE. It should not be assumed that any of the Banks is a licensed

broker, dealer or investment adviser under the laws applicable in the UAE, or that any of them advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Ordinary Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Other jurisdictions

Prospective investors in jurisdictions other than those listed above should consult their professional advisers as to whether they require any governmental or other consent or need to observe their formalities to enable them to purchase any Ordinary Shares under the Offer.

PART 14
ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors (whose names and principal functions are set out in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

2. INCORPORATION AND SHARE CAPITAL

- 2.1 The Company was incorporated and registered in England and Wales on 21 January 2016 as a public company limited by shares under the 2006 Act with the name Starzone plc and with the registered number 9963666. The Company was issued a trading certificate on 10 February 2016. The Company changed its name to Forterra plc on 24 March 2016.
- 2.2 The Company's registered office is at 5 Grange Park Court, Roman Way, Northampton NN4 5EA, United Kingdom and its telephone number is +44 (0)1604 707 600.
- 2.3 The principal laws and legislation under which the Company operates and complies, and under which the Ordinary Shares have been created, are the 2006 Act and regulations made thereunder.
- 2.4 The share capital history of the Company is as follows:
- 2.4.1 on incorporation the share capital of the Company was 50,000 ordinary shares of £1.00 each which were allotted, fully paid, as subscriber shares for cash consideration at nominal value to the Selling Shareholder;
- 2.4.2 on 11 April 2016, the Company reorganised its share capital into 2,000 ordinary shares of £25.00 each pursuant to the resolution referred to in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus;
- 2.4.3 on 20 April 2016, the Company and the Selling Shareholder entered into the Forterra SPA pursuant to which the Selling Shareholder sold the entire issued share capital of Forterra Building Products and the Existing Loan Note to the Company in consideration for the issue and allotment to the Selling Shareholder of 87,627 ordinary shares of £25.00 each in the capital of the Company pursuant to the resolution referred to in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus and the issue and allotment of the New Loan Note;
- 2.4.4 pursuant to the terms of the Reorganisation Agreement, prior to Admission, the Company has agreed to issue and allot two fully paid ordinary shares of £25.00 each in the capital of the Company to the Selling Shareholder pursuant to the resolution referred to in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus in order to capitalise £255.8 million of the New Loan Note; and
- 2.4.5 in accordance with the terms of the Reorganisation Agreement, prior to Admission, the Company shall reorganise its share capital such that its share capital comprises 200,000,000 Ordinary Shares of £0.01 each and one deferred share of £240,725.00 pursuant to the resolution referred to in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus.
- 2.5 By resolution passed on 11 April 2016 at a general meeting of the Company, the Company resolved among other things, that:
- 2.5.1 the share capital of the Company be reorganised such that every 25 of the then issued ordinary shares of £1.00 each in the capital of the Company, shall be consolidated into one ordinary share of £25.00 in the capital of the Company with rights and being subject to the restrictions set out in the articles of association of the Company in force from time to time, this authority to expire on 31 December 2016;
- 2.5.2 the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot 87,627 ordinary shares of £25.00 each to the Selling Shareholder in connection with the transactions contemplated by the Forterra SPA, such authority to expire on 31 December 2016;

- 2.5.3 the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot two ordinary shares of £25.00 each to the Selling Shareholder in connection with the transactions contemplated by the Reorganisation and described in paragraph 3.4(a)(ii) of this Part 14 (*Additional Information*) of this Prospectus, such authority to expire on 31 December 2016;
- 2.5.4 conditional on the allotment and issue by the Company of the ordinary shares referred to in paragraphs 2.5.2 and 2.5.3 of this Part 14 (*Additional Information*) of this Prospectus, the share capital of the Company be reorganised such that each of the then issued ordinary shares of £25.00 each in the capital of the Company, shall be subdivided into 2,500 ordinary shares of £0.01 in the capital of the Company with rights and being subject to the restrictions set out in the articles of association of the Company in force from time to time;
- 2.5.5 the share capital of the Company be reorganised such that 24,072,500 of the issued ordinary shares of £0.01 each be and are hereby consolidated into and reclassified as one deferred share with a nominal value of £240,725.00, such deferred share having the following rights:
- (a) the deferred share shall afford the holder no entitlement to vote;
 - (b) the deferred share shall afford the holder no entitlement to a dividend or other distribution; and
 - (c) on a return of, or reduction in capital, the holder of the deferred share shall be entitled to be repaid the amount from time to time fully paid on the deferred share;
- 2.5.6 conditional on and following Admission, the Directors are generally and unconditionally authorised for the purposes of section 551 of the 2006 Act, to exercise all the powers of the Company to allot and to grant rights to subscribe for, or to convert any securities into, shares in the Company, such authority being limited to:
- (a) the allotment of up to an aggregate nominal amount (within the meaning of sections 551(3) and 551(6) of the 2006 Act) equal to one third of the aggregate nominal value of the share capital of the Company on Admission (such amount to be reduced by any allotment of shares or grant of rights to subscribe for, or to convert any security into, shares in the Company made pursuant to the resolution described in paragraph 2.5.6(b) of this Part 14 (*Additional Information*) of this Prospectus); and
 - (b) the allotment of up to an aggregate nominal amount (within the meaning of sections 551(3) and 551(6) of the 2006 Act) equal to two thirds of the aggregate nominal value of the share capital of the Company on Admission in connection with an offer by way of a rights issue in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective number of Ordinary Shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities),
- such authorities to expire at the conclusion of the first annual general meeting of the Company or, if earlier, on 30 June 2017. Immediately following Admission, the authority described in this paragraph 2.5.6 of this Part 14 (*Additional Information*) of this Prospectus shall be in substitution for, and replace, any existing authority pursuant to section 551 of the 2006 Act to the extent not utilised at the time this paragraph 2.5.6 of this Part 14 (*Additional Information*) of this Prospectus of the resolution becomes effective;
- 2.5.7 conditional on and following Admission, the Directors are empowered pursuant to sections 570(1) and 573 of the 2006 Act to:
- (a) allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority described in paragraph 2.5.6 of this Part 14 (*Additional Information*) of this Prospectus; and
 - (b) sell ordinary shares (as defined in section 560(1) of the 2006 Act) held by the Company as treasury shares for cash,
- as if section 561 of the 2006 Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities for cash and the sale of treasury shares:
- (i) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under the authority described in paragraph 2.5.6(b) of this Part 14 (*Additional Information*) of this Prospectus, by way of a rights

issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale, but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

- (ii) in the case of the authorisation described in paragraph 2.5.6(a) of this Part 14 (*Additional Information*) of this Prospectus (or in the case of any transfer of treasury shares), and otherwise than pursuant to paragraph 2.5.7(i) of this Part 14 (*Additional Information*) of this Prospectus, up to an aggregate nominal amount equal to 5% of the aggregate nominal amount of the share capital of the Company on Admission,

such authorisations to expire at the conclusion of the first annual general meeting of the Company or, if earlier, on 30 June 2017. Immediately following Admission, the authority described in this paragraph 2.5.7 of this Part 14 (*Additional Information*) of this Prospectus shall be in substitution for and shall replace any existing authority pursuant to sections 570(1) and 573 of the 2006 Act to the extent not utilised at the time and date this paragraph 2.5.7 of this Part 14 (*Additional Information*) of this Prospectus of the resolution becomes effective;

2.5.8 conditional on and following Admission, the Company is generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its Ordinary Shares on such terms as its Directors may from time to time determine, and where such shares are held in treasury, the Company may use them for the purposes of its employee share plans, such power to be limited:

- (a) to a maximum number of 20,000,000 Ordinary Shares;
- (b) by the condition that the minimum price which may be paid for each Ordinary Share is in the nominal value of such share which amount shall be exclusive of expenses (if any);
- (c) the maximum price (exclusive of expenses) that may be paid for each Ordinary Share is an amount equal to the higher of: (i) 105% of the average of the middle market quotations for the Ordinary Shares as derived from the Daily Official List of the London Stock Exchange for the five Business Days immediately preceding the day on which such share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, as stipulated by article 5(1) of the EU Buyback and Stabilisation Regulation 2003 (No. 2273/2003);
- (d) unless previously renewed, revoked or varied, such authority shall expire at the conclusion of the first annual general meeting of the Company or on 30 June 2017, whichever is the earlier; and
- (e) the Company may, before the authority described in this paragraph 2.5.8 of this Part 14 (*Additional Information*) of this Prospectus expires, make a contract to purchase Ordinary Shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Ordinary Shares pursuant to it as if this authority had not expired;

2.5.9 conditional on and following Admission, in accordance with sections 366 and 367 of the 2006 Act, each member of the Group is authorised, in aggregate, to:

- (a) make political donations to political parties or to independent election candidates not exceeding £100,000 in total;
- (b) make political donations to political organisations (other than political parties) not exceeding £100,000 in total; and
- (c) incur any political expenditure not exceeding £100,000 in total,

during the period beginning with Admission and ending on 30 June 2017 or, if earlier, the conclusion of the first annual general meeting of the Company. The Company notes that it is not its policy to make political donations and that it has no intention of using the authority for that purpose. For the purposes of this authority the terms “political donation”, “political parties”, “independent election candidates”, “political organisation” and “political expenditure” have the meanings given by sections 363 to 365 of the 2006 Act;

- 2.5.10 conditional upon Admission and the approval of the High Court of Justice of England and Wales (the “**Court**”), the entire amount standing to the credit of the share premium account and capital redemption reserve of the Company and the share capital of the Company in respect of the deferred share referred to at paragraph 2.5.5 of this Part 14 (*Additional Information*) of this Prospectus in each case as at 5.00 p.m. on the day immediately preceding the day on which the Court makes an order confirming the reduction of capital described in this paragraph 2.5.10 of this Part 14 (*Additional Information*) of this Prospectus, is cancelled;
- 2.5.11 the Company was authorised in accordance with the Company’s articles of association and the Articles, until the Company’s next annual general meeting, to call general meetings on 14 clear days’ notice; and
- 2.5.12 the Articles will be adopted as the articles of association of the Company with effect from Admission in substitution for, and to the exclusion of, the then existing articles of association.
- 2.6 Immediately prior to the publication of this Prospectus the issued share capital of the Company was £2,240,675, comprising 89,627 ordinary shares of £25.00 each (all of which were fully paid or credited as fully paid). On Admission, the issued share capital of the Company will be £2,240,725, comprising 200,000,000 Ordinary Shares of £0.01 each and one deferred share of £240,725.00 (all of which will be fully paid or credited as fully paid). Following Admission, the deferred share of the Company will be cancelled.
- 2.7 Save as disclosed in this paragraph 2 and paragraphs 3, 5, 7 and 9 of this Part 14 (*Additional Information*) of this Prospectus:
 - 2.7.1 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - 2.7.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
 - 2.7.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 2.8 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the 2006 Act (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees’ share scheme as defined in section 1166 of the 2006 Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus.
- 2.9 The Company has not traded since incorporation and lacks distributable reserves. This could restrict the Company’s ability to pay future dividends. Therefore, the Company intends to undertake a court-approved capital reduction following Admission in accordance with the 2006 Act and the Companies (Reduction of Share Capital) Order 2008 in order to provide it with the distributable reserves required to support the dividend policy described at paragraph 18 of Part 6 (*Business of the Group*) of this Prospectus. The proposed capital reduction will reduce the share premium arising on the issue of ordinary shares by the Company pursuant to the terms of the Reorganisation and cancel the share capital on the deferred share issued in connection with the Reorganisation. The capital reduction has been approved (conditional on Admission) by a special resolution of the existing shareholder of the Company and will require court approval after Admission.

3. **THE REORGANISATION**

- 3.1 Pursuant to the terms of the Reorganisation Documents, the Company and other members of the Group, among others, have agreed to undertake a reorganisation and will, immediately prior to and following Admission, undertake a refinancing in connection with the Offer (the “**Reorganisation**”).
- 3.2 On 20 April 2016, the Selling Shareholder and the Company entered into a sale and purchase agreement (the “**Forterra SPA**”). Pursuant to the terms of the Forterra SPA, the Selling Shareholder agreed to sell, and the Company agreed to purchase, the entire issued share capital of Forterra Building Products and the Existing Loan Note in consideration for the issue and allotment by the Company to the Selling Shareholder of 87,627 fully paid ordinary shares of £25.00 each in the capital of the Company and the New Loan Note. Pursuant to the terms of the Forterra SPA, the Company became the holding company of the Group. The Forterra SPA is governed by English law.

- 3.3 On 20 April 2016, the Company and Forterra Holdings entered into a share purchase agreement (the “**Holdings SPA**”). Pursuant to the terms of the Holdings SPA, following completion of the transactions contemplated in paragraph 3.2 of this Part 14 (*Additional Information*) of this Prospectus, the Company agreed to sell, and Forterra Holdings agreed to purchase, the entire issued share capital of Forterra Building Products in consideration for the issue and allotment by Forterra Holdings to the Company of 119,999,999 fully paid ordinary shares of £1.00 each in the capital of Forterra Holdings. Pursuant to the terms of the Holdings SPA, Forterra Holdings became the immediate holding company of Forterra Building Products. The Holdings SPA is governed by English law.
- 3.4 On 21 April 2016, the Company, Forterra Holdings, Forterra Building Products, the Selling Shareholder, LS Concrete Midco and Stardust Finance, among others, entered into a reorganisation deed (the “**Reorganisation Agreement**”) to govern certain terms of the Reorganisation.
- (a) Pursuant to the Reorganisation Agreement the parties have undertaken, or have agreed to undertake, the following steps prior to Admission:
 - (i) the Company and the Selling Shareholder have agreed to set off certain intercompany balances;
 - (ii) the Company has agreed to issue and allot two fully paid ordinary shares of £25.00 each in the capital of the Company to the Selling Shareholder in order to capitalise £255.8 million of the New Loan Note;
 - (iii) the Company has passed the resolution set out in paragraph 2.5 of this Part 14 (*Additional Information*) of this Prospectus, including adopting the Articles;
 - (iv) the Company has resolved to reorganise its share capital into 200,000,000 Ordinary Shares of £0.01 each and one deferred share of £240,725.00;
 - (v) immediately prior to Admission, to procure that each of the Company, Forterra Holdings and Forterra Building Products is released from its respective obligations under the terms of the Existing Credit Agreements and the Existing Security Documents; and
 - (vi) immediately prior to Admission, to procure that each member of the Group will enter into the New Facilities Agreement.
 - (b) Conditional upon Admission, pursuant to the terms of the Reorganisation Agreement, the parties have agreed to undertake the following steps:
 - (i) Forterra Building Products will use proceeds made available under the New Facilities to repay part of the principal amount outstanding (together with any interest accrued thereon) to the Company under the Existing Loan Note;
 - (ii) the Company will use the amounts received from Forterra Building Products pursuant to paragraph 3.4(b)(i) of this Part 14 (*Additional Information*) of this Prospectus to repay all of the principal amount outstanding (together with any interest accrued thereon) to the Selling Shareholder under the New Loan Note;
 - (iii) each of the Company and Forterra Holdings will undertake a reduction of its share capital and cancellation of any share premium by way of, in the case of the Company, a court approved process, and, in the case of Forterra Holdings, a solvency statement, and the Company will cancel its deferred share in existence at Admission; and
 - (iv) the Company will release Forterra Building Products from its obligations under the Existing Loan Note.
 - (c) Pursuant to the terms of the Reorganisation Agreement, each party has agreed to take (or to procure the taking of) certain other steps in connection with the Reorganisation, the Offer and Admission.
 - (d) The Reorganisation Agreement is governed by English law.

4. ARTICLES OF ASSOCIATION

The articles of association of the Company (the “**Articles**”), which are available for inspection at the address specified in paragraph 24 of this Part 14 (*Additional Information*) of this Prospectus, contain provisions, *inter alia*, to the following effect:

4.1 Share rights

Subject to the provisions of the 2006 Act, and without prejudice to any rights attached to any existing shares or class of shares: (i) any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine; and (ii) shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the holder and the Board may determine the terms, conditions and manner of redemption of such shares provided that it does so prior to the allotment of those shares.

4.2 Voting rights in respect of Ordinary Shares

Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person or by proxy shall have one vote and upon a poll each such holder who is present in person or by proxy shall have one vote in respect of every share held by him.

No member shall, unless the Directors otherwise determine, be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described below.

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 793 of the 2006 Act and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice, the Company may serve on such member or on any such person a notice (a “**Restriction Notice**”) in respect of the shares in relation to which the default occurred (“**Default Shares**”) and any other shares held at the date of the Restriction Notice directing that the member shall not be entitled to be present or to vote, either in person or by proxy, at any general meeting or class meeting of the Company. Where the Default Shares represent at least 0.25% in nominal value of the issued shares of the Company of the same class (excluding any shares of that class held as treasury shares) the Restriction Notice may in addition direct, *inter alia*, that any dividend or any part thereof or other money which would otherwise be payable on the Default Shares shall be retained by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be recognised or registered unless the transfer is a permitted transfer or the member is not himself in default in supplying the information requested and the transfer is part only of the member’s holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which are the subject of the transfer is a restricted share.

4.3 Dividends and other distributions

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the 2006 Act and any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

Subject to the provisions of the 2006 Act, the Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.

The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of shares the right to elect to receive new shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

On a liquidation, the liquidator may, subject to the 2006 Act, with the sanction of a special resolution of the Company divide among the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as it deems fair upon any property to be divided and may determine how such division shall be carried out.

4.4 **Variation of rights**

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to certain company law acts as defined in the 2006 Act (the “**Statutes**”), be abrogated or varied either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of Chapter 3 of Part 13 of the 2006 Act (save as stated in section 334(2) to (3) of the 2006 Act) and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

4.5 **Forfeiture of shares**

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the applicable statutory provisions) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the Board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

4.6 **Transfer of shares**

The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and, in relation to the transfer of any share (whether a certificated or an uncertificated share), the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated); provided that where such shares are admitted to the Official List, such discretion may not be exercised in a way which the FCA or London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.

Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations) such as CREST.

4.7 Alteration of share capital

The Company may by a resolution authorising it to do so in accordance with the 2006 Act consolidate all or any of its share capital into shares of larger nominal amount and/or sub-divide all or any of its shares into shares of smaller nominal amount.

Subject to the provisions of the 2006 Act, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account and any redenomination reserve in any way.

Subject to the provisions of the 2006 Act, any shares may be allotted on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.

Subject to the provisions of the 2006 Act, the Company may purchase its own shares (including any redeemable shares).

4.8 Purchase of own shares

Subject to the 2006 Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

4.9 General meetings

An annual general meeting shall be convened by not less than 21 clear days' notice. All other general meetings shall be called by not less than 14 clear days' notice. As the Company is a traded company (as defined in section 360C of the 2006 Act), the provisions of section 307A must be complied with if the meeting is to be called by less than 21 clear days' notice, unless the meeting is of holders of a class of shares. The notice shall specify the place, the day and time of meeting and the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such and shall include the text of the resolution.

The accidental omission to give notice of a meeting, or of a resolution intended to be moved at a meeting, or to issue an invitation to appoint a proxy with a notice where required by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or of such a resolution or of an invitation to appoint a proxy by any such person, shall not invalidate the proceedings at that meeting.

4.10 Directors

Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not fewer than two. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.

No Director shall be disqualified by his office from entering into or being otherwise interested in any contract, arrangement or transaction with the Company or in which the Company has an (direct or indirect) interest. Subject to the provisions of the 2006 Act and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any such contract, arrangement or transaction or who is so interested be liable to account to the Company for any remuneration or other benefit realised by any such contract, arrangement, transaction or interest by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the 2006 Act.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he or any person connected with him do not to his knowledge hold an interest (within the meaning of sections 820 to 825 of the 2006 Act) in 1% or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
- (e) any contract, arrangement or transaction for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord him any privilege or advantage not generally accorded to the employees to whom the scheme relates;
- (f) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors;
- (g) the giving of an indemnity pursuant to the Articles; and
- (h) the provision of funds to any Director to meet, or the doing of anything to enable a Director to avoid incurring expenditure of the nature described in section 205(1) or 206 of the 2006 Act.

If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

The Board may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his or her duty under the 2006 Act to avoid conflicts of interest.

Save as provided in the Articles, a Director shall not vote or be counted in the quorum present on any motion in respect of any contract, arrangement or transaction in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Directors, but the aggregate of all such fees so paid to the Directors shall not exceed (excluding amounts payable under any other provision of the Articles) £1 million per annum or such larger amount as may from time to time be decided by ordinary resolution of the Company. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration (whether by way of salary, percentage of profits or otherwise) as the Directors may determine. Each Director may be paid his reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the Directors, or any committee of the Directors or general meeting of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. The Articles do not permit a Director to vote on, or be counted in the quorum in relation to, any resolution of the board concerning his own appointment.

There shall be no age limit for Directors.

Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

Each Director shall be subject to re-election at each annual general meeting of the Company.

The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits to, inter alia, any Directors or ex-directors of the Company or of any subsidiary undertaking or parent undertaking of the Company or to the spouses, civil partners, former spouses, former civil partners, children and other relations and dependants of any such person and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of any such persons.

4.11 Non-United Kingdom Shareholders

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the shares. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

4.12 Borrowing Powers

The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the 2006 Act, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company in general meeting, exceed:

- (a) in respect of the period until the approval of the first audited consolidated balance sheet of the Group by the shareholders in a general meeting, a sum equal to £500 million; and
- (b) following the approval of the first audited consolidated balance sheet of the Group by the shareholders in a general meeting, a sum equal to three times the aggregate of (i) the amount paid up on the issued share capital of the Company and (ii) the total of the capital and reserves of the Group (or, if higher, the Company) (including, without limitation, any share premium account, capital redemption reserve and credit balance on the profit and loss or retained earnings account) in each case, whether or not such amounts are available for distribution, all as shown in the latest audited and consolidated balance sheet of the Group, but after such adjustments and deductions (including any amounts attributable to intangibles) as are specified in the relevant Article.

4.13 Director's indemnity, insurance and defence

As far as the applicable statutory provisions allow, the Company may:

- (a) indemnify any Director of the Company against any liability;
- (b) indemnify a Director of a company that is a trustee of an occupational pension scheme for employees (or former employees) of the Company (or of an associated body corporate) against liability incurred in connection with the company's activities as trustee of the scheme;
- (c) purchase and maintain insurance against any liability for any Director referred to in paragraphs 4.13(a) or 4.13(b) of this Part 14 (*Additional Information*) of this Prospectus; and
- (d) provide any Director referred to in paragraphs 4.13(a) or 4.13(b) of this Part 14 (*Additional Information*) of this Prospectus with funds (whether by loan or otherwise) to meet expenditures incurred or to be incurred by him in connection with any actual or threatened or alleged claims, demands, investigations or proceedings, whether civil, criminal or regulatory or in connection with an application for relief (or to enable any such Director to avoid incurring such expenditures).

5. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

- 5.1 The interests in Ordinary Shares of the Directors and Senior Managers (all of which, unless otherwise stated, are beneficial or are interests of a person connected with a Director or a Senior Manager) as at 20 April 2016 (being the latest practicable date prior to publication of this Prospectus) were as follows:

Director / Senior Manager	Immediately prior to Admission ⁽¹⁾		Immediately following Admission ⁽¹⁾⁽²⁾	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued Share Capital
Paul Lester ⁽³⁾	—	—	30,556	0.02
Stephen Harrison ⁽⁴⁾	—	—	11,111	0.01
Shatish Dasani ⁽⁵⁾	—	—	83,333	0.04
Justin Atkinson ⁽⁶⁾	—	—	25,000	0.01
Divya Seshamani ⁽⁷⁾	—	—	5,556	0.00
Benjamin Guyatt ⁽⁸⁾	—	—	5,556	0.00

Notes

- (1) The interests of Ordinary Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus have been completed in full.
- (2) Assuming no exercise of the Over-allotment Option.
- (3) Paul Lester will acquire 30,556 Ordinary Shares in the Offer pursuant to the terms of his appointment letter.
- (4) Stephen Harrison will acquire 11,111 Ordinary Shares in the Offer.
- (5) Shatish Dasani will acquire 83,333 Ordinary Shares in the Offer.
- (6) Justin Atkinson will acquire 25,000 Ordinary Shares in the Offer.
- (7) Divya Seshamani will acquire 5,556 Ordinary Shares in the Offer.
- (8) Benjamin Guyatt will acquire 5,556 Ordinary Shares in the Offer.

- 5.2 In addition to the interests in Ordinary Shares described above, it is expected that the Executive Directors and the Senior Managers will, following Admission, be interested in options or awards to acquire Ordinary Shares as set out below:

Director / Senior Manager ⁽¹⁾⁽²⁾	Number of Ordinary Shares granted under the PSP ⁽³⁾	Number of Ordinary Shares granted under the DABP ⁽⁴⁾	Number of Ordinary Shares granted under the SIP ⁽⁵⁾
Stephen Harrison ⁽⁶⁾	277,777	—	277
Shatish Dasani ⁽⁷⁾	166,666	—	277
Benjamin Guyatt ⁽⁸⁾	48,611	—	277
Matthew Clay	36,169	18,084	277
Adam Smith	33,333	16,666	277
George Stewart	33,333	16,666	277

Notes

- (1) The interests of Ordinary Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus have been completed in full.
- (2) The Directors and Senior Managers will be issued with the number of options or awards over Ordinary Shares under the terms of the Share Plans within six weeks of the date of Admission. Please refer to paragraph 7 of this Part 14 (*Additional Information*) of this Prospectus for further details.
- (3) Please refer to paragraph 7.2 of this Part 14 (*Additional Information*) of this Prospectus for further details of the terms of the PSP, including vesting and exercise periods.
- (4) Please refer to paragraph 7.3 of this Part 14 (*Additional Information*) of this Prospectus for further details of the terms of the DABP, including vesting and exercise periods.
- (5) Please refer to paragraph 7.4 of this Part 14 (*Additional Information*) of this Prospectus for further details of the terms of the SIP, including vesting and exercise periods. Each Executive Director and Senior Manager may following Admission opt-out from participating in the SIP. The number of Ordinary Shares granted to each Executive Director and Senior Manager assumes that no such person has opted-out of participating in the SIP.
- (6) On Admission, Stephen Harrison will be paid a one-off lump sum payment of £400,000 (subject to deductions required by law).
- (7) On Admission, Shatish Dasani will be paid a one-off lump sum of £300,000 (subject to deductions required by law).
- (8) On Admission, Benjamin Guyatt will be paid a one-off lump sum payment of £134,000 (subject to deductions required by law).

- 5.3 In so far as is known to the Directors, the following are the interests (within the meaning of Part VI of the 2006 Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company on 20 April 2016 (the latest practicable date prior to publication of this Prospectus) assuming no exercise of the Over-allotment Option:

Shareholder	Immediately prior to Admission ⁽¹⁾		Immediately following Admission ⁽¹⁾⁽²⁾⁽³⁾	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
LSF9 Concrete UK Ltd ⁽⁴⁾⁽⁵⁾	200,000,000	100	130,000,000	65.0
Pelham Capital Management	—	—	13,250,000	6.6
JP Morgan AM	—	—	6,200,000	3.1
Standard Life	—	—	6,200,000	3.1

Notes

- (1) The interests of Ordinary Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus have been completed in full.
- (2) Assuming no exercise of the Over-allotment Option.
- (3) Three additional investors are expected to acquire interests of more than 5% of the Ordinary Shares available in the Offer (assuming the Over-allotment Option is exercised in full).
- (4) LSF9 Concrete UK Ltd is indirectly owned by Lone Star who therefore has an indirect interest in the Ordinary Shares held by the Selling Shareholder.
- (5) If the Over-allotment Option is exercised in full, the Selling Shareholder will have sold a further 10,500,000 Ordinary Shares, representing 5.3% of the Company's issued share capital.

Save as disclosed in this paragraph 5.3 of this Part 14 (*Additional Information*) of this Prospectus, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangement the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

- 5.4 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Company or any other member of the Group during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.5 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.
- 5.6 The following table sets out the interests of the Selling Shareholder (all of which, unless otherwise stated, are beneficial or are interests of a person connected with the Selling Shareholder), prior to the Offer and the number of Ordinary Shares such Selling Shareholder is selling in the Offer.

Shareholder	Ordinary Shares owned prior to the Offer ⁽¹⁾		Ordinary Shares to be sold pursuant to the Offer ⁽¹⁾⁽²⁾	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
LSF9 Concrete UK Ltd ⁽³⁾⁽⁴⁾	200,000,000	100	70,000,000	35.0

Notes

- (1) The interests of Ordinary Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus have been completed in full.
- (2) Assuming no exercise of the Over-allotment Option.
- (3) LSF9 Concrete UK Ltd is indirectly owned by Lone Star who therefore has an indirect interest in the Ordinary Shares held by the Selling Shareholder.
- (4) If the Over-allotment Option is exercised in full, the Selling Shareholder will have sold a further 10,500,000 Ordinary Shares, representing 5.3% of the Company's issued share capital.

6. DIRECTORS' TERMS OF EMPLOYMENT

- 6.1 The Directors and their functions are set out in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus. On 21 April 2016 each of the Executive Directors entered into a new service agreement. Stephen Harrison's and Shatish Dasani's employer is the Company. On 11 April 2016, the Chairman and each of the other Non-Executive Directors entered into letters of appointment with the Company. The service agreements are conditional on, and become effective from, Admission. The letters of appointment shall terminate if Admission does not occur.

6.2 Executive Directors

- 6.2.1 On and from the date of Admission, Stephen Harrison will be appointed as Chief Executive Officer and will receive a salary of £400,000 per annum and Shatish Dasani will be appointed as Chief Financial Officer and will receive a salary of £300,000 per annum. Such appointments and salaries will be reviewed annually by the Remuneration Committee. The Company is under no obligation to increase the Executive Director's salary following a salary review. Each Executive Director is expected to work such hours as are necessary for the proper and efficient performance of his duties.
- 6.2.2 Each of Stephen Harrison and Shatish Dasani is entitled to receive an amount equal to 10% of his base salary as a retirement allowance, which they may direct is paid as a contribution to a personal pension scheme and shall each receive a company car or car allowance, private medical and permanent health insurance, and business travel insurance. Shatish Dasani is entitled to life assurance in accordance with the Company's death in service insurance cover. The Company has agreed to a death in service benefit of four times salary and 30% spouse or civil partner pension for Stephen Harrison in respect of which it has taken out insurance.
- 6.2.3 Subject to earlier termination for summary dismissal, each Executive Director's service agreement will continue until terminated on 12 months' notice given by either party. Each Executive Director may be put on gardening leave during any notice period.
- 6.2.4 The Company is entitled to terminate an Executive Director's employment by payment of a cash sum in lieu of notice, equal to (a) the basic salary that would have been payable, and (b) 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 under item (b) until the date on which notice, had it been served, would have expired instead of paying a cash sum representing their cost, or by paying the Executive Director compensation in respect of any of those benefits equivalent to the cost to the Company of providing the benefit over the relevant period (the "**Payment in Lieu**"). The Payment in Lieu may be paid as one lump sum or in instalments in arrears over the period until the expiry, if it had been served, of the notice period. If the Company chooses to pay in instalments the Executive Director is obliged to seek alternative income over the relevant period and the payment of each monthly instalment is conditional upon the Executive Director first disclosing to the Company the gross amount of any income received or receivable in respect of the month to which the instalment relates. The instalment payments will be reduced by the amount of such income.
- 6.2.5 Save as set out above, the Executive Directors are not entitled to a severance payment in the event of a termination of their employment by the Company.
- 6.2.6 Each Executive Director will be eligible to be considered to receive an annual discretionary bonus which shall be a maximum of 100% of annual salary. Any bonus is subject to the achievement of a combination of financial, operational and personal performance measures established by the Remuneration Committee. If an Executive Director's employment is terminated for any reason, or the Executive Director is under notice of termination (whether given by the Executive or the Company) at or before the date when a bonus might otherwise be payable, the Executive Director will not be entitled to receive any bonus payments in respect of any period. The Remuneration Committee may determine to defer any part of the Executive Director's discretionary bonus in accordance with DABP. Participation by the Executive Directors and terms of the discretionary bonus shall be determined by the Remuneration Committee. The Remuneration Committee may attach such recovery and withholding provisions to any discretionary bonus as it deems necessary or appropriate.
- 6.2.7 The Remuneration Committee intends to grant share awards pursuant to the PSP to the Executive Directors prior to, but conditional upon, Admission or within six weeks thereafter. It is intended that Stephen Harrison's and Shatish Dasani's awards will be granted over Ordinary Shares with a value (measured at the Offer Price) equal to £500,000 and £300,000 respectively. Further details of the terms of the PSP are set out in paragraph 7.2 of this Part 14 (*Additional Information*) of this Prospectus.
- 6.2.8 The Company has agreed that on, or immediately following, Admission the Executive Directors and other senior executives shall be awarded a one-off bonus in recognition of the work undertaken in connection with the Offer and Admission (the "**IPO Bonus**"). Stephen Harrison and Shatish Dasani will each be entitled to an IPO Bonus worth £400,000 and £300,000, respectively, to be paid in cash (less any deductions required by law) within 30 days of Admission.
- 6.2.9 From Admission, Stephen Harrison and Shatish Dasani will also be eligible to participate in the Group's other employee share plans (for further details, please refer to paragraphs 7.1 to 7.6 of this Part 14 (*Additional Information*) of this Prospectus).

- 6.2.10 Pursuant to sections 439 and 439A of the 2006 Act, the Company's remuneration policy in respect of the Executive Directors' remuneration will be subject to Shareholder approval as described in paragraph 7.8.5 of this Part 14 (*Additional Information*) of this Prospectus.
 - 6.2.11 Stephen Harrison and Shatish Dasani will be entitled to 27 working days' paid holiday per annum, in each case, in addition to UK bank and public holidays in accordance with standard Company policy for senior executives.
 - 6.2.12 Each of the Executive Directors is subject to confidentiality provisions without limitation in time and other post-termination restrictions. These include six month restrictions on competition with the Group and solicitation of employees, suppliers or customers of the Group, and refraining from holding themselves out as connected with the Group at any time following termination.
- 6.3 Non-Executive Directors**
- 6.3.1 The appointments of each of the Chairman and the other Non-Executive Directors are subject to annual re-election by the shareholders at the Company's annual general meeting. Under the terms of their appointments, each of the Chairman and the other Non-Executive Directors are required to devote such time as is necessary for the proper performance of their duties.
 - 6.3.2 From Admission, Paul Lester is entitled to receive an annual fee of £130,000 for his role as Non-Executive Chairman. In addition to his annual fee, Paul Lester will be entitled to a fee of £7,000 for his role as chair of the Remuneration Committee. The fees are payable in monthly instalments in arrears after deduction of any taxes and other amounts that are required by law. On Admission, Paul shall also receive a cash bonus of £100,000 which will be used to acquire Ordinary Shares at the Offer Price.
 - 6.3.3 From Admission, Justin Atkinson and Divya Seshamani are each entitled to receive an annual fee of £50,000. In addition to this annual fee, Justin Atkinson will be entitled to a fee of £10,000 for his role as Senior Independent Non-Executive Director and a fee of £7,000 for his role as chair of the Audit Committee. Fees are payable in monthly instalments in arrears after deduction of any taxes and other amounts that are required by law.
 - 6.3.4 The Lone Star Directors have waived any right to receive a fee.
 - 6.3.5 The Chairman and other Non-Executive Directors are not entitled to receive any compensation on termination of their appointments and are not entitled to participate in the Company's share, bonus or pension schemes. Their appointments may be terminated on not less than 30 days' notice or immediately in the event that the appointment is terminated (or where the approval of Shareholders is required, not approved) by Shareholders. For further details of the Chairman's and Non-Executive Directors' interests in Ordinary Shares, please refer to paragraph 5.1 of this Part 14 (*Additional Information*) of this Prospectus.
 - 6.3.6 As Bradley Boggess and Richard Cammerer have been appointed as Non-Executive Directors by the Selling Shareholder pursuant to the Relationship Agreement (as described in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus), (a) if the Selling Shareholder and its associates no longer exercise or control the exercise of at least 20% of the votes able to be cast on all or substantially all matters at general meetings of the Company, the Board may request that one of these appointments are terminated; and (b) if the Selling Shareholder and its associates no longer exercise or control the exercise of at least 10% of the votes able to be cast on all or substantially all matters at general meetings of the Company, the Board may request that both of these appointments are terminated.
 - 6.3.7 The Chairman and the other Non-Executive Directors are also entitled to reimbursement of reasonable and properly documented business expenses, subject to a cap of £1,000 per calendar month (in respect of the Chairman) and subject to such deductions as required by law.
 - 6.3.8 Pursuant to sections 439 and 439A of the 2006 Act, the Company's remuneration policy in respect of the Chairman's and Non-Executive Directors' remuneration will be subject to Shareholder approval, as described in paragraph 7.8.5 of this Part 14 (*Additional Information*) of this Prospectus.
 - 6.3.9 The Chairman and the other Non-Executive Directors are subject to confidentiality provisions without limitation in time.
 - 6.3.10 The Chairman and the other Non-Executive Directors will have the benefit of directors' and officers' liability insurance.

- 6.3.11 Save as set out in paragraphs 6.2 and 6.3 of this Part 14 (*Additional Information*) of this Prospectus, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

6.4 Directors' and Senior Managers' Remuneration

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in 2015, the aggregate remuneration and benefits to the directors of the Company and the Senior Managers who served during 2015, consisting of 4 individuals, was £655,062.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in 2015, the Directors were remunerated as set out below:

Name	Position	Total remuneration ⁽¹⁾ (£)	Other benefits (£)	Date of joining the Group
Paul Lester ⁽²⁾	Chairman	—	—	24 August 2015
Stephen Harrison	Chief Executive Officer	354,462	41,819	14 October 2002
Shatish Dasani	Chief Financial Officer	22,769	2,110	10 December 2015
Justin Atkinson	Senior Independent Non-Executive Director	—	—	11 April 2016
Divya Seshamani	Independent Non-Executive Director	—	—	11 April 2016
Bradley Boggess	Non-Executive Director	—	—	22 March 2016
Richard Cammerer	Non-Executive Director	—	—	22 March 2016

Notes

⁽¹⁾ Total remuneration of each Director and Senior Manager includes his or her base salary together with any bonus earned.

⁽²⁾ Paul Lester was appointed as consultant to the Group on 24 August 2015. He was appointed as a director of the Company on 11 April 2016.

- 6.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

6.6 Directors' and Senior Manager's current and past directorships and partnerships

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and/or any other member of the Group), in the five years prior to the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Paul Lester	Essentra PLC Greenergy Fuels Holdings Limited Greenergy International Limited Knight Midco Limited Knight Square Limited Knight Square Holdings Limited Trilliam Holdco Limited Truckminder Worldwide Limited	CBRE Managed Services Limited Invensys Limited Marine Current Turbines Limited Norland Holdings Ltd Sea Generation Limited Sea Generation (Brough Ness) Limited Sea Generation (Kyle Rhea) Limited Sea Generation (Wales) Ltd Survitec Group (Finance 1) Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Stephen Harrison	Aircrete Limited Aircrete Products Association Limited Construction Products Association The Brick Development Association Limited	British Agricultural Services Limited Hanson Packed Products Limited Hanson Quarry Products Europe Limited Hanson Holdings (1) Limited HeidelbergCement UK Limited HIPS (Trustees) Limited Irvine-Whitlock Limited Joyce Green Aggregates Limited Purfleet Aggregates Limited
Shatish Dasani	Dasani Consulting Limited	A.B. Electronic Components Limited A.B. Electronic Products Group Limited A.B. Instrumentation Limited (Dissolved) AB Automotive Electronics Limited AB Electronic Assemblies Limited (Liquidation) AB Electronics Limited AB Elektronik Holdco Limited AB Microelectronics Limited (Dissolved) Automotive Electronic Systems Limited B.A.S. (Aircraft Components) Limited (Dissolved) BI Technologies Limited Cable Realisations Limited (Liquidation) Camelot Group Plc (Converted/Closed) Commendshaw Limited Crystalate Electronics Limited Crystalate Engineering Limited (Dissolved) Crystalate Holdings Ltd (Liquidation) Crystalate Electronics Limited Crystalate Services Limited (Dissolved) Dale Electric International Limited Darwins Magnets International Limited (Dissolved) Dawson-Keith Limited (Dissolved) Deltight International Limited (Liquidation) Deltight Washers Limited Egad Limited (Dissolved) Erskine Systems Limited (Dissolved) Generac Global UK Limited Genergy Limited (Dissolved) Hackbridge Cable Company Limited (Dissolved) Linton and Hirst Group Limited London Electric Wire Company and Smiths Limited (Dissolved) Lintons Limited (Dissolved) Magnet Developments Limited (Dissolved)

Name	Current directorships / partnerships	Past directorships / partnerships
Justin Atkinson	Kier Group plc	Magnetic Materials Group Limited (Dissolved) Magnetic Materials Holdings Limited (Liquidation) Midland Electronics Limited MMG GB Limited (Dissolved) MMG Linton and Hirst Limited Munradtech Generators Limited (Dissolved) New Chapel Electronics Holdings Limited (Dissolved) Northumbria Circuits Limited (Dissolved) Nulectrohms Limited Polymer Insulators Limited (Dissolved) Prestwick Circuits Limited (Dissolved) Rodco Limited Semelab Holdings Limited (Dissolved) Semelab Limited Sensit Limited The Brearley Group Limited TT Asia Holdings Limited TT Contract Electronic Manufacturing Limited (Dissolved) TT Electronics Europe Limited TT Electronics Integrated Manufacturing Services Limited TT Electronics plc TT Group Limited TT Power Solutions Limited TTG Electronics Limited (Liquidation) TTG Investments Limited TTG Nominees Limited TTG Properties Limited Vactite Limited Welwyn Currah Limited (Dissolved) Welwyn Electronics Holdings Limited (Dissolved) Welwyn Electronics Limited Welwyn (Overseas) Limited (Dissolved) Welwyn Systems Limited (Dissolved) Wolsey Comcare Limited Wolsey Electronics Limited (Dissolved) Yerrus Number Eight Limited (Dissolved) Yerrus Number Five Limited (Dissolved) Yerrus Number Four Limited (Dissolved) Yerrus Number Nine Limited (Dissolved) Yerrus Number Six Limited (Dissolved) 0971543 B.C. Limited 0971543 B.C. Limited Accrete Industrial Flooring Limited Accrete Limited Anderson Drilling Inc.

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		Anderson Manufacturing Inc Case Atlantic Company Case Foundation Company Craig Olden Inc (MERGED with Hayward Baker Inc.) Cyntech U.S. Inc. Franki Pacific Holdings Pty Ltd Geochemical Corporation Geo-Foundations Contractors Inc. Hayward Baker Inc. Hayward Baker Canada Ltd. HJ Foundation Company HJ Keller Holding Company Keller Angola Limited Keller Angola Properties Limited Keller Asia Holdings Ltd. Keller Australia Pty Limited Keller Australia Pty Limited Keller Canada Holdings Ltd. Keller Canada Holdings Ltd. Keller Canada Services Ltd Keller Canada Services Ltd Keller Cimentaciones, S.L.U. Keller EMEA Limited Keller Environmental Inc. Keller Finance Australia Limited Keller Financing Keller Finance Limited Keller Foundations Ltd Keller Foundations Ltd Keller Foundations, LLC Keller Group plc Keller Holdings Limited Keller Holdings, Inc. Keller Limited Keller New Zealand Limited Keller One Inc. Keller Resources Limited Makers Holdings Limited Makers Management Services Limited Makers Services Limited Makers U K Limited Mckinney Drilling Company, LLC McKinney Woodstock LLC North American Foundation Engineering Inc. Resource Piling PTE Ltd Seaboard Foundations Inc. Suncoast Post-Tension Ltd The Concrete Doctor, Inc.
Divya Seshamani	Duranta Energy Limited Duranta Energy Services Limited Duranta Holding Company Limited Duranta Teesside Limited Greensphere Biomass 1 Limited Greensphere Biomass 2 Limited Greensphere Capital LLP North Cave AD Limited	Greensphere Advisers LLP (Dissolved) Marine Current Turbines Limited Regen Devco Limited Regen Holdings Limited Shuban Power Limited Shuban 6 Limited Shuban 9 Limited Tillertech Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
	PB Avighna Limited Shuban 11 Limited TPG Europe, LLP UK Green Sustainable Waste and Energy Investments (GP) Limited Western Bio-Energy (Fuels) Limited Western Bio-Energy Ltd	Whites Engineering Limited Whites Recycling Ltd.
Bradley Boggess	Home Properties Southeastern Grocers	Caliber Home Loans Sterling Holdings Ltd. Continental Building Products, Inc. Del Frisco's Restaurant Group DFC Global Corp. Sterling DFC United Kingdom Ltd Sterling Jersey Holdings UK Limited (Overseas company) Sterling Mid-Holdings UK Limited (Overseas company) None
Richard Cammerer	Southeastern Grocers	
Matthew Clay	The British Precast Concrete Federation Limited	Hanson Packed Products Limited
Benjamin Guyatt	None	Amey Group Limited (The) Amey Roadstone International Limited Anche (Overseas company) Appleby Group Limited ARC Aggregates Limited ARC Building Limited ARC Concrete (Anglia) Limited ARC Concrete Limited ARC Holdings Limited ARC Land Holdings Limited ARC Limited ARC Marine Aggregates (Holdings) Limited (Dissolved) ARC Property Investments Limited ARC Slimline Limited ARC South Wales Limited ARC South Wales Mortar Limited ARC South Wales Quarries Limited ARC South Wales Surfacing Limited ARC Wales Limited A.R.C. (Western) Limited Arcodirect Limited (Dissolved) Asian Carriers Inc. (Overseas company) Astravance Corp. (Overseas company) Attendcharm Limited (Dissolved) Attendflower Limited Avocet Resource Management Limited (Dissolved) Banbury Alton Limited Bath and Portland Stone (Holdings) Limited Beazer Limited Beforebeam Limited Beforeblend Limited Bickleylake Limited Birchwood Concrete Products Limited Birchwood Omnia Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		BJC (Heathrow) Limited (Dissolved) Boons Granite Quarries Limited Brazier Aggregates Limited Bristol Sand and Gravel Company Limited British Agricultural Services Limited British Ever Ready Limited Buckland Sand & Silica Company Limited Butterley Aglite (Dissolved) Butterley Brick Investments (No 2) Limited Butterley Brick Limited Castle Building Products Limited Castle Cement (Chatburn) Limited Castle Cement (Clyde) Limited Castle Cement (Ketton) Limited Castle Cement (Padeswood) Limited Castle Cement (Pitstone) Limited Castle Cement (Ribblesdale) Limited Castle Lime Limited Charted (Dissolved) CHB Exeter Limited CHB Group Limited CHB P H R Limited CHB Products Limited Chemical Manufacture and Refining Limited Chester Road Sand and Gravel Company Limited City of London Heliport Limited Gravel Company Limited Civil and Marine (Holdings) Limited Civil and Marine Slag Cement Limited Claughton Manor Brick Limited (The) Clyde Cement Limited Coln Gravel Company Limited Conbloc Limited Consolidated Gold Fields Finance Limited (Dissolved) Creative Land Developers Limited Crispway Limited Cromhall Quarries, Limited Delmorgal Limited D. & H. Sand Supplies Limited DeSimpel Brick Limited Berry's Electric Magicoal Limited British Thermostat Company Limited (The) Claughton Manor Brick Limited (The) Cradley Special Brick Company Limited Devon Concrete Works, Limited E & S Retail Limited E Sub Limited Effectengage Limited Ensign Park Limited EUROCC (U.K.) Limited F.C. Precast Concrete Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		Ferrersand Aggregates Limited FML Restoration Limited (Dissolved) Formpave Holdings Limited Frederick Harker(Sack Hire)Limited (Dissolved) Freshhove Limited (Dissolved) Frodingham Cement Company Limited (Dissolved) Fruitbat Company Greenways Environmental and Waste Management Limited Greenwoods (St. Ives) Limited Grimsby Plumbing Company Limited (Dissolved) Guidelink Habfield Limited Gypsum Carrier, Inc. (Overseas company) Hanson (BHL) Limited (Dissolved) Hanson (BHHL) Limited (Dissolved) Hanson (CGF) (No. 1) Limited Hanson (CGF) (No. 2) Limited Hanson (CGF) Finance Limited Hanson (CGF) Holdings Limited Hanson (ER - No 12) Limited (Dissolved) Hanson (ER - No 14) Limited (Dissolved) Hanson (ER - No. 10) Limited Hanson (ER - No. 5) Limited Hanson (ER - No. 8) Limited Hanson (ER - No. 9) Limited Hanson (FP) Limited Hanson (MR) Limited Hanson (MRS) Limited (Dissolved) Hanson (Nail) Limited Hanson (SH) Limited Hanson Aggregates (North) Limited Hanson Aggregates Limited Hanson Aggregates South Wales Holdings Limited Hanson Aggregates South Wales Limited Hanson Aggregates UK Limited Hanson Amalgamated Industries Limited (Dissolved) Hanson America Holdings (1) Limited Hanson America Holdings (2) Limited Hanson America Holdings (3) Limited Hanson America Holdings (4) Limited Hanson Bath and Portland Stone Limited Hanson Batteries Limited Hanson BC Limited (Overseas company) Hanson Blocks North Limited Hanson Brick Ltd

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		Hanson Building Materials Europe Limited
		Hanson Building Materials Limited
		Hanson Building Products (2003) Limited
		Hanson Building Products Limited (Jersey)
		Hanson Canada Limited
		Hanson Clay Products Limited
		Hanson Crewing Services Limited
		Hanson Concrete Products Limited
		Hanson Developments Limited (Dissolved)
		Hanson Facing Bricks Limited
		Hanson Finance (2003) Limited
		Hanson Finance (UK) Limited (Dissolved)
		Hanson Finance Limited
		Hanson Financial Services Limited
		Hanson Fletton Bricks Limited
		Hanson Foods Limited
		Hanson Funding (A) Limited (Dissolved)
		Hanson Funding (B) Limited (Dissolved)
		Hanson Funding (F) Limited (Dissolved)
		Hanson Funding (G) Limited
		Hanson Funding (H) Limited (Dissolved)
		Hanson Funding (K) Limited (Dissolved)
		Hanson Green Limited (Overseas company)
		Hanson H4 Limited
		Hanson H5 Limited
		Hanson Hedging (Dollars) (1) Limited
		Hanson Hedging (Dollars) (2) Limited
		Hanson Holdings (1) Limited
		Hanson Holdings (2) Limited
		Hanson Holdings (3) Limited
		Hanson Holdings Limited
		Hanson Industries Limited (Dissolved)
		Hanson Industrial (Engineering Holdings) Limited
		Hanson Industrial Limited
		Hanson International Holdings Limited
		Hanson Investments Limited (Dissolved)
		Hanson Land Development Limited
		Hanson LHA Limited
		Hanson Marine Holdings Limited
		Hanson Overseas Corporation Limited
		Judkins Limited
		Hanson Overseas Holdings Limited
		Hanson Packed Products Limited
		Hanson Pacific Limited (Dissolved)
		Hanson Peabody Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		Hanson Quarry Products Europe Limited
		Hanson Quarry Products Holdings Limited
		Hanson Quarry Products Overseas Limited
		Hanson Quarry Products Transport Limited
		Hanson Quarry Products Ventures Limited
		Hanson RBS Trustees Limited (Dissolved)
		Hanson Recycling Limited
		Hanson Retail Limited
		Hanson Thermalite Limited
		Hanson TIS Limited
		Hanson TIS Holdings Limited
		Hanson Tobacco Limited (Dissolved)
		Hanson Trust Limited
		Hanson Trustees Limited
		Hanson Warwickshire Limited (Dissolved)
		Hanson Wiltshire Limited (Dissolved)
		Harrisons Limeworks Limited
		Hartsholme Property Limited
		HB Cramlington Limited (Dissolved)
		HB Hotels Limited
		HB Pacific Limited
		HC Fuels Limited
		HeidelbergCement Holding Limited
		HeidelbergCement Canada Holding Limited
		HeidelbergCement UK Holding Limited
		HeidelbergCement UK Holding II Limited
		HK Holdings (No. 1) Limited
		HK Holdings (No. 2) Limited
		Holms Sand & Gravel Company (1985) (The)
		Holms Sand & Gravel Company Limited (The)
		Homes (East Anglia) Limited
		Housemotor Limited
		Houseprice Limited
		Houserate Limited
		HPL Albany House Developments Limited
		HPL Estates Limited
		HPL Investments Limited
		HPL Projects Limited (Dissolved)
		HPL Properties Limited
		HPL Property Limited
		HPL West London Developments Limited
		Hurst and Sandler Limited
		Imperial Foods Holdings Limited
		Imperial Foods Limited (Dissolved)
		Imperial Group Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		Imperial Potted Shrimps Limited
		Imperial Seafoods (Gulf) Limited (Dissolved)
		Imperial Seafoods Limited
		Interoc (UK) Limited
		Irvine-Whitlock Limited
		JA Crabtree & Co Limited
		James Grant & Company (West) Limited
		Joseph Wones (Holdings) Limited
		K.M. Property Development Company Limited
		Ketton Cement Limited
		Kingston Minerals Limited
		Kingswood Investments (Essex) Limited (Dissolved)
		Kivel Properties Limited
		L.B.(Stewartby)Limited
		Leca (Great Britain) Limited
		Lehigh UK Limited
		Lindum Information Systems Limited (Dissolved)
		Lindustries Limited
		Lindustries Exports Limited (Dissolved)
		Lindustries Holdings Limited (Dissolved)
		LLAN Concrete Products Limited (Dissolved)
		LocalDouble Limited
		London Brick Company Limited
		London Brick Engineering Limited
		M E Sub Limited
		Mantle & Llay Limited
		Marnee Limited
		Marples Ridgway Limited
		Marples Ridgway Overseas Limited
		Midland Quarry Products Limited
		Milton Hall(Southend)Brick Company Limited (The)
		Minster Quarries Limited
		Mixconcrete Holdings Limited
		Mixconcrete Limited
		Mold Tar Macadam Co. Limited
		Morebeat Limited
		Motioneager Limited
		National Brick Company Limited
		National Star Brick and Tile Holdings Limited
		National Star Limited
		North Tyne Roadstone Limited
		North West Developers Limited (Dissolved)
		Oswald Tillotson Limited (Dissolved)
		P.& B.J.Dallimore Limited
		Padyear Limited
		Paperbefore Limited
		Pencrete Limited
		Penfolds Builders Merchants Limited

Name	Current directorships / partnerships	Past directorships / partnerships
		Peter Pell Limited (Dissolved) Picon Overseas Limited (Overseas company) PILC Limited (Overseas company) Pimco 2945 Limited Pinden Plant & Processing Co. Limited (The) Pioneer Asphalts (U.K.) Limited Pioneer Concrete(U.K.)Limited Pioneer Concrete Development Limited Pioneer Concrete Holdings Limited Pioneer International Finance (UK) Limited (Dissolved) Pioneer International Group Holdings Limited Pioneer International Investments Limited Pioneer International Overseas Corporation (Overseas company) Pioneer Investments UK Limited Pioneer Willment Concrete Limited PlusWelcome Limited (Dissolved) Premix Concrete Limited Queens Buildings(Manchester), Limited (Dissolved) Rarehold 1999 Limited (Dissolved) Rarehold Limited (Dissolved) Red Bank Manufacturing Company Limited Redshow Limited Reedopen Limited (Dissolved) Ribblesdale Cement Limited Rimarcal Corporation (Overseas company) Roads Reconstruction Limited Rogers Readymix (Arc Premix) Limited (Dissolved) S Sub Limited Sailtown Limited Samuel Wilkinson & Sons Limited Sand Supplies (Western) Limited Saunders (Ipswich) Limited Scancem Energy and Recovery Limited Scancem International Limited Scancem Recovery Limited Scancem Supply Limited Searchselect Limited (Dissolved) Seagoe Concrete Products Limited Second City Properties Limited Shapedirect Limited Shire Business Park Limited Signgrid Limited (Dissolved) SJP 1 Limited SJP 2 Limited (Dissolved) Slotcount Limited Small Lots (Mix-it) Limited Solrec Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
		South West Developers Limited (Dissolved) Speedypaper Limited (Dissolved) SQ Corporation Limited SQ Finance No. 1 Limited (Dissolved) SQ Finance No. 2 Limited Stephen Toulson & Sons Limited Stewartby Housing Association Limited Supamix Limited The Purfleet Ship to Shore Conveyor Company Limited Thistleton Quarries Limited Tillotson Commercial Motors Limited Tillotson Commercial Vehicles Limited Tilmanstone Brick Limited Timesound TLQ Limited TMC Pioneer Aggregates Limited Transformers (Watford) Limited (Dissolved) Trawlers Grimsby Limited (Dissolved) Tunnel Cement Limited UDS (Head Office) Limited (Dissolved) UDS (No. 10) Limited UDS (No. 3) Limited UDS Corporation Limited UDS Finance Limited UDS Group Limited UDS Holdings (1) Limited UGI Meters Limited (Dissolved) UGI Smith Meters Limited (Dissolved) UGI Group Limited United Gas Industries Limited Viewgrove Investments Limited Visionfocus Limited Visionrefine Limited V.E.A. Limited (Overseas company) Welbecson Group Limited West of England Sack Holdings Limited (Dissolved) Wiles Securities Limited (Dissolved) Wineholm Limited
Adam Smith	None	None
George Stewart	None	None

6.7 Within the period of five years preceding the date of this Prospectus, none of the Directors:

- (a) has had any convictions in relation to fraudulent offences;
- (b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or compulsory liquidation of such company; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

7. EMPLOYEE SHARE PLANS AND REMUNERATION POLICY

7.1 Overview of the Share Plans

Following Admission, the Company intends to operate the following employee share plans: the Forterra Performance Share Plan (the “**PSP**”), the Forterra Deferred Annual Bonus Plan (the “**DABP**”), the Forterra Share Incentive Plan (the “**SIP**”) and the Forterra Sharesave Plan (the “**Sharesave Plan**” together with the PSP, the DABP and the SIP, the “**Share Plans**”), all of which were approved and adopted by the Company prior to Admission.

The PSP and the DABP (together, the “**Executive Share Plans**”) will cater for discretionary share based incentive awards to selected employees within the Group, whereas the SIP and Sharesave Plan will provide the flexibility for a broad based “all-employee” share incentive policy.

The following paragraphs first describe the unique features of each of the Share Plans and thereafter the common features of the Share Plans and finally the terms of the Company’s employees’ benefit trust, which will primarily be used to satisfy awards granted under the Executive Share Plans.

7.2 The PSP

7.2.1 Operation and Eligibility

The Remuneration Committee will supervise the operation of the PSP. Any employee (including an Executive Director) of the Group will be eligible to participate in the PSP at the discretion of the Remuneration Committee.

7.2.2 Grant of awards under the PSP

The Remuneration Committee may grant awards as conditional shares or as nil (or nominal) cost options. The rules permit the Remuneration Committee to waive or reduce the option exercise price (if any) on, or at any time prior to, the option being exercised.

The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

7.2.3 Timing of grants

The Remuneration Committee may grant awards at any time prior to, but conditional on, Admission or within the period of six weeks starting on the date of Admission (the “**Initial Grant Period**”). Thereafter, the Remuneration Committee may grant awards within six weeks following the Company’s announcement of its results for any period or its annual general meeting. The Remuneration Committee may also grant awards at any other time when it considers there to be sufficiently exceptional circumstances which justify the granting of awards (including, but not limited to, following the recruitment of a key employee).

It is currently intended that the first awards to be granted under the PSP to the Executive Directors and other selected employees of the Group (the “**Initial PSP Awards**”) shall be made during the Initial Grant Period. It is currently anticipated that such Initial PSP Awards will be over Ordinary Shares having a total market value (on grant) of approximately £1,072,605 in aggregate, for which purposes the market value of a share shall be equal to the Offer Price.

Following the grant of the Initial PSP Awards, it is currently intended that no further awards will be granted under the PSP to the Company’s executive directors, Stephen Harrison and Shatish Dasani, until 2017.

7.2.4 Individual limit

Awards will be granted annually, subject to the annual individual limit described below. An employee of the Group may not receive awards in any financial year of the Company over Ordinary Shares having a market value (on grant) in excess of 200% of their annual base salary at the time of grant. In exceptional circumstances or upon the recruitment or retention of a key employee, this limit may be increased to 250% of annual base salary at the discretion of the Remuneration Committee. If, for any reason, the grant of the Initial PSP Awards is delayed so that they cannot be granted in the financial year of the

Company ending on 31 December 2016 (the “**2016 Financial Year**”), the Initial PSP Awards shall be granted during the financial year starting on 1 January 2017 (the “**2017 Financial Year**”) and such Initial PSP Awards shall not count towards the individual award limits described above as they apply to the 2017 Financial Year.

In the case of the Initial PSP Awards to Stephen Harrison and Shatish Dasani it is intended that such awards will be over Ordinary Shares having a market value (on grant) of no more than 125% and 100%, respectively, of their annual base salary. This equates to an Initial PSP Award to Stephen Harrison and Shatish Dasani over shares worth (on grant) £500,000 and £300,000 respectively.

For the purposes of calculating the number of Ordinary Shares over which an award is granted under the PSP, the market value of a share shall normally be based on the market value of Ordinary Shares on the dealing day immediately preceding the grant of an award (or an average market value calculated by reference to a short averaging period of no more than five consecutive dealing days) except that in the case of the Initial PSP Awards the market value of a share shall be treated as being equal to the Offer Price.

7.2.5 *Performance conditions*

The vesting of awards granted to Executive Directors will be subject to performance conditions set by the Remuneration Committee on or prior to grant, which shall normally be tested over a three-year performance period. The extent of vesting of awards granted to other participants (“**below board participants**”) may, but need not, be subject to performance conditions set and measured over any period determined by the Remuneration Committee. The performance conditions (if any) applying to below board participants may be different to those applying to the Executive Directors.

It is currently envisaged that the Initial PSP Awards to be granted to the Executive Directors shall be subject to two performance conditions, each condition applying to a fixed percentage of the total number of Ordinary Shares over which the Initial PSP Award has been granted.

It is currently intended that one-half of the Initial PSP Awards to the Executive Directors shall be subject to stretching and demanding performance targets based on the growth in the Company’s earnings per Ordinary Share, such growth targets to be set by the Remuneration Committee on or prior to grant. The remaining proportion of the Initial PSP Awards shall be subject to a condition measuring the relative total shareholder return performance of the Company against a comparator group of companies, the constituents of which shall be chosen by the Remuneration Committee on or prior to grant. The performance conditions shall be measured at the end of a three-year performance period starting no earlier than the year in which the awards are granted. It is intended that 25% of the Ordinary Shares subject to the relevant performance condition shall vest for target or median performance (as the case may be) and 100% will vest for stretch or upper quartile performance (as the case may be), with straight-line vesting in between.

The Remuneration Committee may set different performance conditions and/or target ranges for future awards. Details of the performance conditions set for any awards to the Executive Directors will be disclosed in the Company’s annual directors’ remuneration report and operate within the relevant approved remuneration policy.

The Remuneration Committee may vary or waive and replace the performance conditions applying to existing awards if an event or series of events has occurred and the Remuneration Committee considers that it would be appropriate to amend or waive and replace the performance conditions, provided the Remuneration Committee considers the varied or replacement conditions to be fair and reasonable and not materially less challenging than the original conditions.

7.2.6 *Vesting of awards*

Awards normally vest on the third anniversary of grant or, if later, when the Remuneration Committee determines the extent to which any performance conditions have been satisfied. In the case only of the Initial PSP Awards, these awards shall normally vest on or shortly after the third anniversary of the date of Admission.

Where awards are granted in the form of options, these will then normally be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. Shorter exercise periods shall apply in the case of “good leavers” and/or vesting of awards in connection with corporate events.

The Remuneration Committee may, in its discretion, grant an award to an eligible employee who is not also an Executive Director at the time of grant, on terms that it will normally vest on a date earlier than the third anniversary of grant.

7.2.7 *Leaving employment*

As a general rule, an award will normally lapse upon a participant ceasing to hold employment or ceasing to be a director within the Group.

If, however, the participant ceases to be an employee or a director of the Group because of his death, disability, injury, retirement, redundancy, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, (the “**good leaver reasons**”) then his award will vest on the date when it would have vested as if he had not ceased such employment or office, provided that cessation by reason of injury, disability, retirement or redundancy shall only apply in respect of directors and/or employees who leave six months or more after the date of Admission. The extent to which an award shall vest in these situations will depend upon two factors: (i) the extent to which the performance conditions (if any) have been satisfied over the original performance period; and (ii) the pro-rating of the award to reflect the period of time between the date of grant and the date of cessation (which the Remuneration Committee may round-up to the next complete year) relative to the normal vesting period, although the Remuneration Committee can decide to reduce or disapply the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director of the Group for one of the good leaver reasons, the Remuneration Committee can decide that their award shall vest on or shortly following the date of cessation, subject to: (i) the satisfaction of the performance conditions (if any) measured over a shortened period; and (ii) pro-rating by reference to the time of cessation as described above.

7.2.8 *Corporate events*

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards shall vest early, subject to: (i) the extent that the performance conditions (if any) have, in the opinion of the Remuneration Committee, been satisfied at that time; and (ii) the pro-rating of the awards to reflect the period of time between their grant and vesting relative to the normal vesting period (which the Remuneration Committee may round-up to the next complete year), although the Remuneration Committee can decide to reduce or disapply the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

7.2.9 *Holding periods*

On or prior to grant, the Remuneration Committee may decide that the Executive Directors (and any other participant that the Remuneration Committee selects) shall be required to retain their net of tax number of vested Ordinary Shares (if any) delivered under the PSP (or the full number of the vested Ordinary Shares whilst held under an unexercised nil (or nominal) cost option) for at least two years from the date of vesting (the “**Holding Period**”). The Holding Period shall end early on or shortly prior to the occurrence of a takeover or winding up of the Company, the death of a participant or upon the occurrence of any other event or date that the Remuneration Committee, acting fairly and reasonably, may in its absolute discretion determine. The Remuneration Committee may also, in its discretion, allow such participants to sell, transfer, assign or dispose of some or all of such Ordinary Shares before the end of the Holding Period or take up any rights they may have in relation to those Ordinary Shares, subject to such additional terms and conditions that the Remuneration Committee may specify from time to time. The terms and basis upon which Ordinary Shares must be held during the Holding Period shall be determined by the Remuneration Committee, in its discretion.

7.2.10 *Dividend equivalents*

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Ordinary Shares between the time when the awards were granted and the time when they vest (or where an award is structured as an option and subject to a holding period, the date of expiry of the holding period or if earlier the exercise of such award). This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the Ordinary Shares subject to their award and then reinvested in further Ordinary Shares.

7.2.11 *Recovery and withholding*

The PSP includes recovery and withholding provisions under which the Remuneration Committee may, in its discretion, reduce the number of Ordinary Shares held under an award before it vests and/or decide within three years from the date on which an award vests to seek to recover some or all of any overpayment of Ordinary Shares and/or cash. The recovery and withholding provisions may be operated by the Remuneration Committee where there has been a material misstatement of the Company's results or accounts and/or an error is made in assessing the satisfaction of a performance condition and such material misstatement and/or error resulted (directly or indirectly) in an award being granted over a larger number of Ordinary Shares and/or an award vesting to a greater degree than would otherwise have been the case. The Remuneration Committee may also operate the recovery and withholding provisions where a participant has committed an act of gross misconduct.

7.2.12 *Participants' rights*

Awards of conditional shares and options will not confer any Shareholder rights until the awards have vested or the options have been exercised and the participants have received their Ordinary Shares.

7.2.13 *Variation of share capital*

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any). The Remuneration Committee may also adjust the number of shares that count towards the Company's share plan dilution limits (for further details, please refer to paragraph 7.6.3 of this Part 14 (*Additional Information*) of this Prospectus).

7.3 **The DABP**

7.3.1 *Operation and Eligibility*

The Remuneration Committee will supervise the operation of the DABP. Any employee (including an Executive Director) of the Group will be eligible to participate in the DABP at the discretion of the Remuneration Committee and subject to their being entitled to receive a bonus.

7.3.2 *Overview*

The general purpose of the DABP is to facilitate the deferral of part of an Executive Director's annual bonus into Ordinary Shares at the discretion of the Remuneration Committee.

The DABP will also be used to defer some or all of the bonuses due to selected employees (excluding the Executive Directors) on Admission (the "**IPO Bonus**"). No part of the cash bonuses due to each of Stephen Harrison and Shatish Dasani of £400,000 and £300,000, respectively, on Admission shall be deferred under the DABP.

The decision (if any) to require such bonus deferral in any year, and the portion of any bonus which will be deferred, will be determined by the Remuneration Committee.

It is currently intended that the Remuneration Committee will require up to 50% of the total value of any annual bonus receivable by an Executive Director in respect of performance over the 2016 Financial

Year to be deferred under the DABP. The amount of an IPO Bonus to be deferred under the DABP will be determined by the Remuneration Committee, in its discretion, before Admission. Annual bonuses for 2015 will not be deferred under the DABP.

7.3.3 Grant of awards under the DABP

The Remuneration Committee may grant awards to acquire Ordinary Shares as conditional shares or as nil (or nominal) cost options. The rules permit the Remuneration Committee to waive or reduce the option exercise price (if any) on, or at any time prior to, the option being exercised.

The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

7.3.4 Timing of grants

The Remuneration Committee shall normally grant awards within six weeks following either: (i) the date of announcement of the Company's results for any period or its annual general meeting; or (ii) the date on which bonuses are determined; or (iii) the date on which any related cash bonus is paid. The Remuneration Committee may also grant awards at any other time when the circumstances are, in the opinion of the Remuneration Committee, sufficiently exceptional to justify the grant.

IPO Bonus awards may be granted at any time prior to, but conditional on, Admission, or at any time following the date of Admission; although the current intention is to grant them within six weeks of Admission.

7.3.5 Individual limit

An employee may not receive awards in any financial year of the Company over Ordinary Shares having a value (on grant) in excess of 100% of the relevant bonus to be deferred under the DABP.

The IPO Bonus awards will be granted to employees (excluding the Executive Directors) over Ordinary Shares that have a total aggregate market value on grant (based on the Offer Price) of approximately £301,591.

For the purposes of the DABP, the value of Ordinary Shares over which an award is granted shall be determined by the Remuneration Committee, based on (in the case only of the IPO Bonus awards) the Offer Price and (in the case of all other awards) the market value of Ordinary Shares on the dealing day (or an average market value calculated by reference to a short averaging period of no more than five consecutive dealing days) either: (i) immediately preceding the date of grant of an award; or, (ii) immediately preceding the date of determination or payment of a bonus; or (iii) immediately following the date of announcement of the first set of results of the Company following the end of the relevant bonus performance period.

7.3.6 Vesting of awards

The normal vesting date for awards (excluding the IPO Bonus awards) will be the third anniversary of grant (or such other later or earlier date (or dates) as the Remuneration Committee may specify).

The normal vesting date for IPO Bonus awards will be the second anniversary of the date of Admission.

Vesting will normally be dependent on the participant still being a director or employee within the Group on the date of vesting.

Where awards are granted in the form of options, these will then normally be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. Shorter exercise periods shall apply in the case of "good leavers" and/or vesting of awards in connection with corporate events.

7.3.7 Leaving employment

IPO Bonus awards will lapse upon a participant ceasing to hold employment or ceasing to be a director of the Group by reason of their dismissal for cause or misconduct, retirement or redundancy within six

months of the date of Admission or following their resignation unless the Remuneration Committee determines otherwise. If a participant ceases to be an employee or director of the Group for any other reason their award will normally vest in full on the date of cessation or, if the Remuneration Committee determines otherwise, the date it would have vested had he not ceased office or employment.

As a general rule, all other awards (excluding the IPO Bonus awards) will lapse upon a participant ceasing to hold employment or ceasing to be a director within the Group.

If, however, the participant ceases to be an employee or a director within the Group because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then his award will vest in full on the date of cessation or, if the Remuneration Committee determines otherwise, the date it would have vested had he not ceased office or employment.

7.3.8 Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early in full.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company, unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

7.3.9 Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Ordinary Shares) on or shortly following the vesting of their awards of an amount equivalent to the dividends that would have been paid on those Ordinary Shares between the time when the awards were granted and the time when they vest. This amount may assume the reinvestment of dividends. Alternatively, participants may have their awards increased as if dividends were paid on the Ordinary Shares subject to their award and then reinvested in further Ordinary Shares.

7.3.10 Recovery and withholding

The DABP includes recovery and withholding provisions under which the Remuneration Committee may, in its discretion, decide within three years of the date of grant of an award to reduce the number of Ordinary Shares held under an award or seek to recover some or all of any overpayment of bonus (whether paid in cash and/or awarded in Ordinary Shares). The recovery and withholding provisions may be operated by the Remuneration Committee where there has been a material misstatement of the Company's results or accounts and/or where an error is made in assessing the satisfaction of any condition (objective or otherwise) against which the bonus was measured and such material misstatement and/or error resulted (directly or indirectly) in a bonus and/or award being paid and/or granted over a larger cash sum or number of Ordinary Shares than would otherwise have been the case. The Remuneration Committee may also operate the recovery and withholding provisions where a participant has committed an act of gross misconduct.

7.3.11 Participants' rights

Awards of conditional shares and options will not confer any Shareholder rights until the awards have vested or the options have been exercised and the participants have received their Ordinary Shares.

7.3.12 Variation of share capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any). The Remuneration

Committee may also adjust the number of Ordinary Shares that count towards the Company's share plan dilution limits (for further details, please refer to paragraph 7.6.3 of this Part 14 (*Additional Information*) of this Prospectus).

7.4 The SIP

7.4.1 Operation

The Board will supervise the operation of the SIP. It is intended that the SIP will meet the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**") as amended and re-enacted from time to time in order to provide UK tax-advantaged participation to UK employees.

The SIP comprises the following three elements and the Board may decide which element (or combination of elements) to offer (if any) to eligible employees of the Group:

- (a) "**Free Shares**" which are free Ordinary Shares which may be allocated to an employee.

The market value of Free Shares allocated to any employee in any tax year may not exceed £3,600 or such other limit as may be permitted by the relevant legislation from time to time. Free Shares may be allocated to employees equally or on the basis of salary, length of service or hours worked, or on the basis of performance, as permitted by legislation.

- (b) "**Partnership Shares**" which are Ordinary Shares an employee may purchase out of his pre-tax earnings.

The maximum amount of money that an employee can apply towards the purchase of Partnership Shares in any tax year may not exceed £1,800 (or 10% of the employee's salary, if lower), or such other limit as may be permitted by the relevant legislation from time to time. The funds used to purchase Partnership Shares will be deducted from the employee's pre-tax salary. Salary deductions may be accumulated over a period of up to 12 months and then used to buy Ordinary Shares by reference to the market value of a share either at the beginning or end of the accumulation period.

- (c) "**Matching Shares**" which are free Ordinary Shares which may be allocated to an employee of the Group who purchases Partnership Shares.

The Board may allocate up to a maximum of two Matching Shares for every one Partnership Share purchased (or such other maximum ratio as may be permitted by the relevant legislation from time to time). The same Matching Share ratio will apply to all employees who purchase Partnership Shares under the SIP on the same occasion.

As soon as reasonably practicable following, or prior to but conditional on, Admission the Company intends to make an offer of Free Shares to all eligible employees (approximately 1,600 employees) within the Group over Ordinary Shares worth (on the award date) up to £500 per eligible employee, for which purposes the Board may determine market value by reference to the Offer Price. These Free Shares must normally be held under the SIP for at least three years from the award date and shall be subject to the default forfeiture provisions, as explained in paragraph 7.4.3 of this Part 14 (*Additional Information*) of this Prospectus.

7.4.2 Eligibility

Employees of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate. The Board may allow non-UK tax resident taxpayers to participate. The Board may require employees to have completed a qualifying period of employment of up to 18 months in order to be eligible to participate. All eligible employees must be invited to participate.

7.4.3 Retention of Ordinary Shares

The trustee of the SIP trust will acquire Partnership Shares on behalf of participants and hold those Ordinary Shares in the SIP trust on their behalf. Employees can withdraw Partnership Shares from the SIP trust at any time.

The trustee will award Free Shares and Matching Shares to participants and hold those Ordinary Shares in the SIP trust on their behalf. The Board may decide that awards of Free Shares or Matching Shares will be forfeited in certain circumstances. The default position is that such Ordinary Shares will be

forfeited if, within three years of the award date, the participant ceases to be in relevant employment unless the participant leaves by reason of death, injury, disability, redundancy, retirement or the employing company or business ceasing to be part of the Group. In addition, the default position includes that Free Shares and Matching Shares will be forfeited if the participant attempts to withdraw such Ordinary Shares or (in the case of Matching Shares only) the corresponding Partnership Shares as relevant from the SIP trust within the first three years. The Board may amend or remove the forfeiture provisions applying to a particular award but the same provisions must apply to all Ordinary Shares under the same award.

If a participant ceases to be employed by the Group at any time he or she will be required to withdraw his or her Ordinary Shares from the SIP trust (if they are not forfeited).

7.4.4 Corporate events

In the event of a general offer being made to the Shareholders, participants will be able to direct the trustees how to act in relation to their Ordinary Shares. In the event of a corporate reorganisation, any Ordinary Share held by participants may be replaced by equivalent shares in a new holding company.

7.4.5 Dividends on Ordinary Shares held by the trustee of the SIP

Any dividends paid on Ordinary Shares held by the trustee of the SIP on behalf of participants may be either used to acquire additional Ordinary Shares for employees or distributed to participants.

7.4.6 Rights attaching to Ordinary Shares

An employee will be treated as the beneficial owner of Ordinary Shares held on his/her behalf by the trustee of the SIP.

7.4.7 Variation of capital

In the case of a variation of share capital of the Company, Ordinary Shares held in the SIP will be treated in the same way as other Ordinary Shares. In the event of a rights issue, participants will be able to direct the trustees of the SIP how to act on their behalf. In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee may also adjust the number of Ordinary Shares that count towards the Company's share plan dilution limits (for further details, please refer to paragraph 7.6.3 of this Part 14 (*Additional Information*) of this Prospectus).

7.5 The Sharesave

7.5.1 Operation

The operation of the Sharesave will be supervised by the Board.

It is intended that the Sharesave will meet the requirements of Schedule 3 to the ITEPA as amended and re-enacted from time to time in order to provide UK tax-advantaged options to UK employees.

7.5.2 Eligibility

Employees and full-time directors of the Company and any designated participating subsidiary who are UK resident tax payers are eligible to participate. The Board may require employees to have completed a qualifying period of employment of up to five years before the grant of options. The Board may also allow other employees to participate.

7.5.3 Grant of options

Options can only be granted to employees who agree to enter into HMRC approved savings contracts, under which monthly savings are normally made over a period of three or five years. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option price is set. The number of Ordinary Shares over which an option is granted will be such that the total option price payable for those Ordinary Shares corresponds to the proceeds on maturity of the related savings contract.

7.5.4 *Individual participation*

Monthly savings by an employee under all savings contracts linked to options granted under any sharesave scheme may not exceed the statutory maximum from time to time (currently £500). The Board may set a lower limit in relation to any particular grant.

7.5.5 *Option price*

The price per share payable upon the exercise of an option will not be less than the higher of: (i) 80% of the average closing middle-market quotation of an Ordinary Share as derived from the London Stock Exchange's Daily Official List over the three days preceding a date specified in an invitation to participate in the Sharesave (or such other day or days as may be agreed with HMRC); and (ii) if the option relates only to issues of new Ordinary Shares, the nominal value of such share.

The option price will be determined by reference to dealing days which fall within six weeks of the announcement by the Company of its results for any period or at any other time when the Board considers there to be sufficiently exceptional circumstances which justify offering options under the Sharesave.

7.5.6 *Exercise of options*

Options will normally be exercisable for a six month period from the third or fifth anniversary of the commencement of the related savings contracts. Earlier exercise is permitted, however, in the following circumstances:

- (a) following cessation of employment by reason of death, injury, disability, redundancy, retirement or the business or company that the employee works for ceasing to be part of the Group;
- (b) where employment ceases more than three years from grant for any reason other than dismissal for misconduct; and
- (c) in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate re-organisation when the Board may decide to exchange existing options for equivalent new options over Ordinary Shares in a new holding company.

Except where stated above or as otherwise permitted by legislation, options will lapse on cessation of employment or directorship within the Group prior to the third anniversary of grant. If a participant ceases to be a director or employee of the Group three or more years after the date of grant they may exercise their option early unless they ceased by reason of misconduct in which case their option shall lapse.

Ordinary Shares will be allotted or transferred to participants within 30 days of exercise.

7.5.7 *Participant's rights*

Options will not confer any Shareholder rights until the options have been exercised and the participants have received their Ordinary Shares.

7.5.8 *Variation of capital*

If there is a variation in the Company's share capital, the Board may make such adjustment as it considers appropriate to the number of Ordinary Shares under option and/or the option price. In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the Remuneration Committee may also adjust the number of shares that count towards the Company's share plan dilution limits (for further details, please refer to paragraph 7.6.3 of this Part 14 (*Additional Information*) of this Prospectus).

7.6 **Principal terms common to the Share Plans**

7.6.1 *Life of Plans*

An award or option may not be granted more than ten years after the date on which the Share Plans were adopted.

No payment is required for the grant of an award save in the case of the purchase of Partnership Shares under the SIP.

Awards are not transferable, except on death. Awards are not pensionable.

7.6.2 Rights attaching to Ordinary Shares

Any Ordinary Share allotted will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

7.6.3 Overall limits

The Share Plans may operate over new issue Ordinary Shares, treasury shares or Ordinary Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the Share Plans and any other share incentive plan (executive or otherwise) adopted by the Company.

Furthermore, in the same period as noted above, the Company may not issue (or grant rights to issue) more than 5% of the Ordinary Shares in issue under the Executive Share Plans and any other executive share plan adopted by the Company from time to time.

Treasury shares will count as the issue of new Ordinary Shares for the purposes of these limits unless Shareholders decide that they need not count.

The number of Ordinary Shares that have been issued and which count towards the 5% and 10% in ten calendar year limits described above may be notionally adjusted by the Remuneration Committee or the Board (as the case may be) to take account of any variation to the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares provided that such adjustments are made on a fair, reasonable and consistent basis.

Ordinary Shares issued or to be issued under or pursuant to awards or options granted before Admission (if any) will not count towards these limits.

7.6.4 Alterations

The Remuneration Committee (or the Board in respect of the SIP and the Sharesave) may, at any time, amend the Share Plans in any respect, provided that the prior approval of the Shareholders is obtained for any amendments made on or after Admission that are to the material advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any amendment made prior to Admission or to any minor alteration made to benefit the administration of the Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award amended in line with its terms.

7.6.5 Overseas plans

The Share Plans allow the Remuneration Committee or Board, as relevant, to establish further plans or schedules to the Share Plans for overseas territories, any such plan or schedule to be similar to the relevant Share Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Ordinary Share made available under such further plans or schedules are treated as counting against the limits on individual and overall participation in the relevant Share Plan.

7.7 Employee Benefit Trust

The Company has approved the establishment of the Forterra Employees' Benefit Trust (the "EBT"), a discretionary employees' trust that will primarily be used in conjunction with the Executive Share Plans

as a means for hedging and satisfying share awards when they vest or are exercised. The EBT may also be used to satisfy options and awards under the Sharesave Plan or any other employee incentive scheme or arrangement that may be operated by the Company in the future (excluding the SIP which must operate alongside a special SIP trust which complies with Schedule 2 to ITEPA). The trustee of the EBT will have power to subscribe for new Ordinary Shares (at a price determined by the Board, provided it is not less than the nominal value of a share) or acquire Ordinary Shares in the market or from treasury, but will not be permitted to hold more than 5% of the Company's issued ordinary share capital (excluding any Ordinary Share it holds as nominee for employees) at any one time without the prior approval of Shareholders in a general meeting.

The class of beneficiaries of the EBT includes the employees and former employees of the Group, any holding company of the Company or any subsidiary undertakings of that holding company, and certain classes of their family and dependents. The Company is excluded from the class of beneficiaries.

The trustee of the EBT will have wide powers of investment and shall be permitted to borrow monies. However, it is intended that, in practice, the EBT will be funded by loans and/or gifts from the Company or any of its subsidiaries to invest in Ordinary Shares for use in relation with the Group's employees' share plans or otherwise for allocation to beneficiaries.

The trustee of the EBT will be independent of the Company. It is intended that the initial trustee of the EBT will be based offshore. The Company will have the power to appoint new or additional trustees and remove any trustee. A professional trustee may charge fees in the normal course of business for acting as a trustee of the EBT.

7.8 Future remuneration policy

7.8.1 In anticipation of Admission, the Company undertook a review of its remuneration policy for Directors in order to ensure that it is appropriate for the listed company environment. In undertaking this review, the Company sought independent, specialist advice.

7.8.2 The Company's remuneration package for Executive Directors has been designed based on the following key principles:

- (a) to promote the long-term success of the Company, with stretching performance targets which are rigorously applied;
- (b) to provide appropriate alignment between the Company's strategic goals, Shareholder returns and executive reward; and
- (c) 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 Company's performance.

7.8.3 In connection with these key principles, the Remuneration Committee has adopted, conditional on Admission, several new share plans. These are the Forterra Performance Share Plan, the Forterra Deferred Annual Bonus Plan, the Forterra Share Incentive Plan and the Forterra Sharesave Plan (as further described in paragraphs 7.1 to 7.6 of this Part 14 (*Additional Information*) of this Prospectus).

7.8.4 Executive Directors' fixed and variable remuneration packages applying post-Admission have been determined taking into account:

- (a) the role, experience and performance of the Executive Director;
- (b) the location in which the Executive Director is working;
- (c) remuneration arrangements at UK listed companies of a similar size and complexity;
- (d) remuneration arrangements at US high-technology companies of a similar size and complexity, including companies with which the Company competes for talent; and
- (e) best practice guidelines for UK listed companies set by institutional investor bodies.

7.8.5 In accordance with UK company law, the Company will submit its remuneration policy for Directors to a binding vote of its Shareholders at the Company's next annual general meeting. Accordingly, the Company will set out its future remuneration policy relating to Directors' remuneration in the Company's first annual report and accounts following Admission.

8. PENSIONS

- 8.1 The Directors and employees of the Group currently participate only in defined contribution pension arrangements, under which the Group's obligations are limited to payment of contributions at agreed rates.
- 8.2 Historically, employees of Forterra Building Products were members of the Hanson Industrial Pension Scheme (the "**HIPS**"), an occupational pension scheme consisting of several sections, some of which operate on a defined benefit basis. While Forterra Building Products had only participated in the defined contributions section of the HIPS, some of its employees did retain a link to their final salary for their accrued benefits in the defined benefit sections (the "**final salary link**"). Under the rules of the HIPS the final salary link terminated when Forterra Building Products ceased to be an employer for that plan following the completion of the Lone Star Acquisition, and there was legal uncertainty as to whether a debt might be due from Forterra Building Products to the HIPS under sections 75 and 75A of the Pensions Act 1995 as a result of this. To resolve this issue a flexible apportionment arrangement pursuant to Regulation 6E of the Occupational Pension Schemes (Employer Debt) Regulations 2005 was entered into between the trustees of the HIPS, Forterra Building Products and certain members of the HeidelbergCement Group. The effect of this arrangement was that Forterra Building Products will not have any further liability to the HIPS for any employer debt under sections 75 and 75A of the Pensions Act 1995.
- 8.3 Certain members of the HeidelbergCement Group have indemnified each of the Selling Shareholder and its affiliates, including Forterra Building Products and Strutherm, for and against any liability incurred by them in connection with the HIPS, which would include any claim for compensation made by any of the affected employees for the loss of the final salary link, or if the Pensions Regulator sought to exercise its contribution notice powers under the Pensions Act 2004.

9. UNDERWRITING ARRANGEMENTS

9.1 Underwriting Agreement

- On 21 April 2016 the Company, the Selling Shareholder, the Directors and the Banks entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:
- 9.1.1 the Selling Shareholder has agreed, subject to certain conditions, to sell the Offer Shares to be sold by it in the Offer at the Offer Price;
- 9.1.2 the Banks have severally (and not jointly or jointly and severally) agreed, subject to certain conditions, to use their reasonable endeavours to procure purchasers for or, failing which, themselves to purchase the Ordinary Shares to be sold pursuant to the Offer at the Offer Price;
- 9.1.3 the Banks will deduct from the proceeds of the Offer to the Selling Shareholder a commission of 2% of the product of the Offer Price and the number of Ordinary Shares sold in the Offer (including following any exercise of the Over-allotment Option);
- 9.1.4 in addition, the Selling Shareholder may, in its sole and absolute discretion, pay an additional commission of up to 1% of the product of the Offer Price and the number of Ordinary Shares sold by it in the Offer (including following any exercise of the Over-allotment Option);
- 9.1.5 the several (and not joint or joint and several) obligations of the Banks to use their reasonable endeavours to procure purchasers for or, failing which, themselves to purchase Ordinary Shares on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include, among other things, the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring no later than 26 April 2016. In addition, the Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;
- 9.1.6 Deutsche Bank, as Stabilising Manager, has been granted the Over-allotment Option by the Selling Shareholder pursuant to which it may purchase or procure purchasers for up to 10,500,000 Over-allotment Shares at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer and/or from sales of Ordinary Shares, if any, effected during the stabilising period. Except as required by law or regulation, neither the Stabilising Manager, nor any of its agents, intends to disclose the extent of any over-allotments and/or stabilising transactions conducted in relation to the Offer. The number of Over-allotment Shares to be transferred pursuant to the Over-allotment Option, if any, will be determined not later than 21 May 2016. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or if acquired on Admission,
- at

Admission). If any Over-allotment Shares are acquired pursuant to the Over-allotment Option, Deutsche Bank will be committed to pay to the Selling Shareholder, or procure that payment is made to it of an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from the Selling Shareholder, less commissions and expenses;

- 9.1.7 the Selling Shareholder has agreed to pay any UK stamp duty and/or stamp duty reserve tax arising on the sale of Ordinary Shares;
- 9.1.8 the Company has agreed to pay certain of the costs, charges, fees and expenses of the Offer (together with any related value added tax);
- 9.1.9 each of the Company, the Selling Shareholder and the Directors has given certain representations, warranties and undertakings, subject to certain limits, to the Banks;
- 9.1.10 the Company has given an indemnity to the Banks in a form which is typical for an agreement of this nature and the Selling Shareholder has also given a limited indemnity to the Banks;
- 9.1.11 the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions;
- 9.1.12 the Company has agreed that from the date of Admission until the date falling 180 days after the date of Admission, it will not, without the prior written consent of the Global Co-ordinators, directly or indirectly, offer, issue, allot, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Share (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing, save that the above restrictions shall not apply in respect of: (a) the issue of Ordinary Shares pursuant to the Offer or to the Reorganisation Arrangements; or (b) the issue of Ordinary Shares pursuant to the grant or exercise of options under employee share plans in existence on the date of Admission and described in paragraph 7 of Part 14 (*Additional Information*) of this Prospectus;
- 9.1.13 each of the Directors has agreed, subject to certain customary exceptions, that from the date of Admission until the date falling 365 days after the date of Admission he or she will not, without the prior written consent of the Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Share (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing; and
- 9.1.14 the Selling Shareholder has agreed, subject to certain customary exceptions, that from the date of Admission until the date falling 180 days after the date of Admission it will not, without the prior written consent of the Global Co-ordinators (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell, issue options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Ordinary Share (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction with the same economic effect as, or agree to do, any of the foregoing.

9.2 **Stock lending agreement**

In connection with settlement and stabilisation, on 21 April 2016, Deutsche Bank, as Stabilising Manager, entered into a stock lending agreement with the Selling Shareholder. Pursuant to the stock lending agreement, the Stabilising Manager will be able to borrow up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer (excluding the Ordinary Shares subject to the Over-allotment Option) on Admission for the purposes, among other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Share pursuant to the stock lending agreement, it will be required to return equivalent securities to the Selling Shareholder by no later than the third Business Day after the date that is the 30th day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange.

10. SUBSIDIARIES, INVESTMENTS AND PRINCIPAL ESTABLISHMENTS

The Company is the principal holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

10.1 Subsidiaries and subsidiary undertakings

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Class of shares held</u>	<u>Percentage of ownership interest and voting power</u>	<u>Field of activity</u>
Forterra Holdings Limited ⁽¹⁾	UK	Ordinary	100%	Holding company
Forterra Building Products Limited ⁽²⁾	UK	Ordinary	100%	Manufacturer
Struchtherm Limited ⁽³⁾	UK	Ordinary	100%	Manufacturer

Notes

- (1) Ordinary shares held by Forterra.
(2) Ordinary shares held by Forterra Holdings.
(3) Ordinary shares held by Forterra Building Products.

10.2 Principal establishments

The following are the principal establishments of the Group:

<u>Facility</u>	<u>Location</u>	<u>Manufactured products</u>	<u>Owned/leased</u>
Head office	Northampton, Northamptonshire	Head office	Leased
Accrington	Accrington, Lancashire	Extruded bricks	Owned
Claughton	Lancaster, Lancashire	Extruded bricks	Owned
Coleford	Coleford, Gloucestershire	Concrete block paving	Leased
Cradley	Cradley Heath, West Midlands	Special extruded bricks	Part owned/ Part leased
Desford	Coalville, Leicestershire	Extruded bricks	Owned
Hams Hall	Coleshill, Warwickshire	Aircrete blocks	Owned
Hoveringham	Nottingham, Nottinghamshire	Precast concrete	Owned
Howley Park	Dewsbury, West Yorkshire	Extruded bricks	Part owned/ Part leased
Kings Dyke	Whittlesey, Cambridgeshire	Fletton bricks	Part owned/ Part leased
Kirton	Newark, Nottinghamshire	Extruded bricks	Part owned/ Part leased
Measham	Swadlincote, Derbyshire	Soft mud bricks	Owned
Measham Red Bank	Swadlincote, Derbyshire	Chimney and roofing solutions	Owned
Meltham	Huddersfield, West Yorkshire	Structural external wall insulation	Leased
Milton	Abingdon, Oxfordshire	Aggregate blocks	Part owned/ Part leased
Newbury	Thatcham, Berkshire	Aircrete blocks	Owned
Somercotes	Alfreton, Derbyshire	Precast concrete	Owned
Whittlesey	Whittlesey, Cambridgeshire	Aggregate blocks	Part owned/ Part leased
Wilnecote	Wilnecote, Staffordshire	Extruded bricks	Owned

11. STATUTORY AUDITOR

The auditor of the Company for the period from incorporation on 21 January 2016 to the date of this Prospectus has been Ernst & Young LLP whose registered address is at 1 More London Place, London SE1 2AF, United Kingdom. Ernst & Young LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

Ernst & Young LLP has provided the accountant's report on the financial information of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 (set out in Section A of Part 11 (*Historical Financial Information*) of this Prospectus). The financial information contained in this Prospectus does not constitute full statutory accounts as referred to in section 434(3) of the 2006 Act.

12. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group; and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

12.1 Underwriting Agreement

The Underwriting Agreement is described in paragraph 9.1 of this Part 14 (*Additional Information*) of this Prospectus.

12.2 Relationship Agreement

The Relationship Agreement is described in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus under the heading "Relationship Agreement with Selling Shareholder".

12.3 Reorganisation Agreement

The Reorganisation Agreement is described in paragraph 3.4 of this Part 14 (*Additional Information*) of this Prospectus.

12.4 Forterra SPA

The Forterra SPA is described in paragraph 3.2 of this Part 14 (*Additional Information*) of this Prospectus.

12.5 Holdings SPA

The Holdings SPA is described in paragraph 3.3 of this Part 14 (*Additional Information*) of this Prospectus.

12.6 Existing Credit Agreements

The Existing Credit Agreements are described in paragraph 13.1 of this Part 14 (*Additional Information*) of this Prospectus.

12.7 Existing Security Documents

The Existing Security Documents are described in paragraph 13.2 of this Part 14 (*Additional Information*) of this Prospectus.

12.8 New Facilities Agreement

The New Facilities Agreement is described in paragraph 13.3 of this Part 14 (*Additional Information*) of this Prospectus.

12.9 New Security Document

The New Security Documents are described in paragraph 13.4 of this Part 14 (*Additional Information*) of this Prospectus.

12.10 Existing Loan Note

On 13 March 2015, Forterra Building Products issued an intercompany loan note in the principal amount of £405.0 million to its parent, the Selling Shareholder, which was later amended on 1 May 2015 pursuant to an amendment deed (the “**Existing Loan Note**”). On 20 April 2016, pursuant to the terms of the Forterra SPA, the Company acquired the Existing Loan Note from the Selling Shareholder.

The Existing Loan Note bears interest on the principal, and default payments, at the fixed rate of 8% per annum. The Existing Loan Note principal and any unpaid or accrued interest (together, the “**Outstanding Note Amounts**”) are repayable on 31 March 2022 (the “**Payment Date**”). Before the Payment Date: (a) Forterra Building Products may repay the Outstanding Note Amounts (or parts thereof) on one month’s prior written notice, or less by mutual agreement, to the Company; (b) the Company may demand repayment of the Outstanding Note Amounts (or parts thereof) on one month’s prior written notice, or less by mutual agreement, to Forterra Building Products; and (c) interest falls due in arrears on 30 September, 31 December, 31 March and 30 June (unless such day is not a Business Day, in which case, payment will be due on the next Business Day, or if such day is in the next calendar month, on the immediate preceding Business Day).

Unless there has been a notice of repayment, the Existing Loan Note is transferrable by the Company by an instrument of transfer in amounts or integral multiples of £1,000.

The Existing Loan Note is governed by English law.

12.11 New Loan Note

On 20 April 2016, the Company issued an intercompany loan note (the “**New Loan Note**”) in the principal amount of £403,969,433 to its parent, the Selling Shareholder.

The New Loan Note bears interest on the principal, and default payments, at the fixed rate of 8% per annum. The New Loan Note principal and any unpaid or accrued interest (together, the “**Outstanding Note Amounts**”) are repayable on 31 March 2022 (the “**Payment Date**”). Before the Payment Date: (a) the Company may repay the Outstanding Note Amounts (or parts thereof) on one month’s prior written notice, or less by mutual agreement, to the Selling Shareholder; (b) the Selling Shareholder may demand repayment of the Outstanding Note Amounts (or parts thereof) on one month’s prior written notice, or less by mutual agreement, to the Company; and (c) interest falls due in arrears on 30 September, 31 December, 31 March and 30 June (unless such day is not a Business Day, in which case, payment will be due on the next Business Day, or if such day is in the next calendar month, on the immediate preceding Business Day).

Unless there has been a notice of repayment, the New Loan Note is transferrable by the Selling Shareholder by an instrument of transfer in amounts or integral multiples of £1,000.

The New Loan Note is governed by English law.

12.12 Heidelberg TSA

On 13 March 2015, Hanson Packed Products Limited, a member of the HeidelbergCement Group, and LS Concrete (together, the “**TSA Parties**”) entered into a transitional services agreement (the “**Heidelberg TSA**”) in relation to the provision by certain member of the HeidelbergCement Group (the “**Service Providers**”) to Forterra Building Products, Strutherm and LS Concrete (together, the “**Service Recipients**”) with wide ranging business services (“**Services**”) for the operation of their businesses. The Services provided included, without limitation, IT, human resources, finance, tax, health and safety and environment administrative services. The Services must generally be substantially equivalent in nature, scope and volume to those provided by the Service Providers to the Service Recipients’ respective businesses in the ordinary course during the 12 months prior to the date of the Heidelberg TSA.

Other than certain services relating to information technology, the services provided by the HeidelbergCement Group pursuant to the Heidelberg TSA were terminated in stages from 23 May 2015. The HeidelbergCement Group continues to provide limited IT services to the Group under the terms of the Heidelberg TSA.

The Heidelberg TSA is governed by English law.

12.13 Heidelberg Aggregates Supply Agreement

On 13 March 2015, Forterra Building Products entered into an aggregates supply agreement (the “**Heidelberg Aggregates Supply Agreement**”) with Hanson Quarry Products Europe Limited (“**Hanson Quarry**”) requiring Forterra Building Products to purchase, and Hanson Quarry to supply, during a five year period commencing on the date of the Heidelberg Aggregates Supply Agreement, at least 80% of the annual prescribed aggregates used at the following manufacturing facilities of Forterra Building Products: the Milton facility, the Whittlesey facility, the Somercotes facility and the Hoveringham facility. Under the Heidelberg Aggregates Supply Agreement, Hanson Quarry warrants its title to all of the aggregates sold to Forterra Building Products, and represents and warrants that at the time of delivery, the aggregates supplied will meet the specifications set out in the Heidelberg Aggregates Supply Agreement.

Subject to certain exceptions, the price per aggregate for 2014 and 2015 is as set out in the Heidelberg Aggregates Supply Agreement and differs according to the type of aggregate product supplied and the facility supplied. For subsequent years, the price per aggregate is the then prevailing market rate for similar qualities and quantities of aggregates. From 1 January 2016, Forterra Building Products can object to the price charged by Hanson Quarry for aggregates if it believes such price is not the available fair market value, compared to the total price of aggregates supplied on a bona fide, arms-length commercial basis by certain third party suppliers. Hanson Quarry would have the right (following an independent audit, if requested) to supply at such fair market value, or decline to supply at such fair market value (in which case, the obligation to supply such aggregates would generally be terminated for that specific product and facility, and future sales of the relevant product to that facility by Hanson Quarry would be subject to new agreements and pricing).

Hanson Quarry has the right to audit Forterra Building Products’ records to ensure Forterra Building Products has purchased the minimum annual contract amount of aggregates. If such audit reveals a shortfall in a contract year, Forterra Building Products can: (a) in addition to the minimum contract quantity in the following year, elect to purchase the deficiency in the next contract year (there are default payments plus interest for failure to so purchase); or (b) pay Hanson Quarry (as applicable) 20% of the price of aggregates as of the end of the contract year in which the shortfall occurred, multiplied by the number of tonnes of the relevant shortfall. Additionally, if the audit reveals a shortfall of more than 10%, Forterra Building Products would be liable to pay for the cost of the audit (subject to a £20,000 annual cap).

After 1 January 2017, subject to certain exceptions, Hanson Quarry has the right to, on 180 days prior written notice, elect to cease supply to the Group’s manufacturing facilities, or to elect to supply less than the minimum contract requirement. Additionally, if during the term of the Heidelberg Aggregates Supply Agreement a plant is reopened at which Hanson Quarry previously supplied aggregates, Hanson Quarry will have the right to re-supply aggregates to such plant at the then prevailing fair market price.

The Heidelberg Aggregates Supply Agreement can be terminated by: (a) a party if the other party is materially impaired due to a force majeure event from performing its obligations under the Heidelberg Aggregates Supply Agreement; or (b) by Forterra Building Products on written notice in certain circumstances, if certain members of the HeidelbergCement Group, become involved in a competing business in the United Kingdom at any time during the period commencing on 13 March 2015 and ending on 12 March 2020.

Hanson Quarry’s liability is generally limited under the Heidelberg Aggregates Supply Agreement. For example, if any aggregates supplied by Hanson Quarry do not meet certain prescribed specifications, Forterra Building Products may only request a refund or replacement (plus certain limited removal costs), unless non-conforming aggregates have been supplied for a prescribed period in material quantities, in which case, Forterra Building Products can terminate the supply of the aggregates to its relevant facilities. In other cases, the liability of Hanson Quarry is generally limited to three times the cost of the aggregates that are the subject of the breach or dispute (there are other limited circumstances where removal costs can be claimed, subject to a specified cap).

The Heidelberg Aggregates Supply Agreement is governed by English law.

12.14 Heidelberg Cement Supply Agreement

On 13 March 2015, Forterra Building Products entered into a cement supply agreement (the “**Heidelberg Cement Supply Agreement**”) with Castle Cement Limited, a member of the

HeidelbergCement Group, (“**Hanson Cement**”) requiring Forterra Building Products to purchase, and Hanson Cement to supply, during a five year period commencing on the date of the Heidelberg Cement Supply Agreement: (a) 100% of the annual prescribed cement and cementitious products used at Forterra Building Products’ two aircrete block facilities at Hams Hall and Newbury; and (b) at least 80% of the annual prescribed cement and cementitious products used at the following facilities of the Group: the Milton facility, the Whittlesey facility, the Somercotes facility, the Hoveringham facility, the Coleford facility and the Measham facility. Under the Heidelberg Cement Supply Agreement, Hanson Cement warrants its title to all of the cement and cementitious products sold to Forterra Building Products, and represents and warrants that at the time of delivery, that the cement supplied will meet the specifications set out in the Heidelberg Cement Supply Agreement.

Subject to certain exceptions, the price per tonne of cement for 2014, 2015 and 2016 is as set out in the Heidelberg Cement Supply Agreement (plus a 3% annual incremental increase in 2015 and 2016) and differs depending on, among other things, the cementitious source site, product type and whether the product is provided bulk or packed. For subsequent years, the price per tonne of cement is the then prevailing market rate for similar qualities and quantities of cement. After the expiration of 2016, Forterra Building Products is, save in certain circumstances, permitted to object to the price charged for cement if it believes such price is not the available fair market value, compared to the total price of cement supplied on a bona fide, arms’ length commercial basis by certain third party suppliers. In such circumstances, Hanson Cement has the right, following an independent audit (if requested), to supply at such fair market value, or decline to supply at such fair market value (in which case, the obligation to supply such cement would be temporarily suspended).

Hanson Cement has the right to audit Forterra Building Products’ records to ensure Forterra Building Products has purchased the minimum annual contract amount of cement pursuant to the terms of the Heidelberg Cement Supply Agreement. If such audit reveals a shortfall in a contract year, Forterra Building Products can: (a) in addition to the minimum contract quantity in the following year, elect to purchase the deficiency in the next contract year (there are default payments plus interest for failure to so purchase), or (b) pay Hanson Cement (as applicable) 20% of the price of cement as of the end of the contract year in which the shortfall occurred, multiplied by the number of tonnes of the relevant shortfall. Additionally, if the audit reveals a shortfall of more than 10%, Forterra Building Products would be liable to pay for the cost of the audit (subject to a £20,000 annual cap).

After 1 January 2017, subject to certain exceptions, Hanson Cement has the right to, on 180 days prior written notice, elect to cease supply to the Group’s manufacturing facilities, or to elect to supply less than the minimum contract requirement. Additionally, if during the term of the Heidelberg Cement Supply Agreement a facility is reopened at which Hanson Cement previously supplied cement, Hanson Cement will have the right to re-supply cement to such plant at the then prevailing fair market price.

The Heidelberg Cement Supply Agreement can be terminated by (i) a party if the other party is materially impaired due to a force majeure event from performing its obligations under the Heidelberg Cement Supply Agreement, or (ii) by Forterra Building Products on written notice in certain circumstances, if certain members of the HeidelbergCement Group become involved in a competing business in the United Kingdom at any time during the period commencing on 13 March 2015 and ending on 12 March 2020.

Hanson Cement’s liability is generally limited under the Heidelberg Cement Supply Agreement. For example, if any supplied cement does not meet certain prescribed specifications, Forterra Building Products may only request a refund or replacement (plus certain limited removal costs), unless non-conforming cement has been supplied for a prescribed period in material quantities, in which case, Forterra Building Products can terminate the supply of the cement to its relevant plant(s). In other cases, the liability of Hanson Cement is generally limited to three times the cost of the cement that are the subject of the breach or dispute (there are other limited circumstances where removal costs can be claimed, subject to a specified cap).

The Heidelberg Cement Supply Agreement is governed by English law.

12.15 Trademark Agreement

On 5 October 2015, Forterra Building Products entered into a trademark ownership agreement (the “**Trademark Agreement**”) with Stardust Holdings and certain members of the Forterra NA Group.

Pursuant to the Trademark Agreement, each of the parties adopted the “Forterra” trade name and trademark (the “**New Brand**”) for use in its respective business in the jurisdiction(s) that it principally

conducts such business, being Canada for Forterra P&P Canada and its subsidiaries and affiliates, the United States for Stardust Holdings and its subsidiaries and the United Kingdom and the European Union for the Company and its subsidiaries (each such jurisdiction being, an “**Applicable Jurisdiction**”). Forterra P&P US was required to submit applications for the protection of the New Brand in each of the Applicable Jurisdictions on behalf of each of Stardust Holdings, Forterra Building Products and Forterra P&P Canada (each a “**Relevant Party**”) and their respective subsidiaries and affiliates, with the intention that ownership of the New Brand in each Applicable Jurisdiction would be held by the Relevant Party that conducts its principal business in that jurisdiction. Forterra P&P US therefore agreed to assign and transfer, to each Relevant Party, any and all of Forterra P&P US’s right, title and interest in the relevant applications.

The Trademark Agreement provides that each Relevant Party (i) has the exclusive right to use the New Brand, and file any subsequent applications to register the New Brand, in its respective Applicable Jurisdiction, (ii) will not contest the use by the other Relevant Parties of the New Brand in their respective Applicable Jurisdictions (including on any transfer of the New Brand on a change of control of any such Relevant Party or its subsidiaries and affiliates, which will include, without limitation, the sale of assets or stock of such entity, or any equity issuance, business combination or entry into any joint venture by any such entity), (iii) will bear its own costs for maintaining any applications and registrations relating to the New Brand and associated trademarks and trade names, and the costs for protecting and enforcing the same, (iv) agrees to reimburse Forterra P&P US for all out-of-pocket costs incurred by Forterra P&P US in connection with filing the application to register the New Brand in its respective Applicable Jurisdiction, and (v) may export or import products into the respective Applicable Jurisdiction of each other Relevant Party without limitation.

The Trademark Agreement further provides that Stardust Holdings has the exclusive right to file any subsequent applications to register the New Brand and associated trademarks and trade names in all other jurisdictions other than the Applicable Jurisdictions (the “**Other Jurisdictions**”), and the Company and Forterra P&P Canada agree not to file any applications in the Other Jurisdictions without the prior written consent of Stardust Holdings. The Trademark Agreement does not contain any termination provisions and will therefore continue indefinitely, unless the parties agree otherwise in writing.

The Trademark Agreement is governed by the laws of the State of Delaware.

12.16 Assignment Agreement

On 21 April 2016, Forterra Building Products and LS Concrete entered into an assignment agreement (the “**Assignment Agreement**”) relating to the assignment of certain rights and benefits of LS Concrete under the purchase agreement dated 23 December 2014 between, among others, certain members of the HeidelbergCement Group and affiliates of LS Concrete, as amended pursuant to an assignment and amendment agreement dated 13 March 2015 (the “**Purchase Agreement**”).

Pursuant to the Assignment Agreement, LS Concrete assigned to Forterra Building Products its rights, benefits and obligations under certain provisions of the Purchase Agreement, including certain mutual indemnification rights, solely to the extent such rights, benefits and obligations relate to Forterra Building Products and Strutherm. If Forterra Building Products ceases to be an affiliate of LS Concrete, the assigned rights, benefits and obligations will automatically revert back to LS Concrete. In the event of such reversion, LS Concrete agrees to indemnify Forterra Building Products with respect to any loss it suffers under claims relating to the assigned provisions, provided that such indemnification shall be limited to the net amount that LS Concrete is able to recover in relation to such claims.

The Assignment Agreement is governed by the laws of the State of Delaware.

13. BANKING FACILITIES

13.1 Existing Credit Agreements

13.1.1 Senior Lien Credit Agreement

On 13 March 2015 LS Concrete entered into a senior lien credit agreement between, among others, LS Concrete Midco, Stardust Finance as borrower, several banks and other financial institutions party thereto as lenders and Credit Suisse AG as agent (the “**Senior Lien Credit Agreement**”). Each of the Company and Forterra Holdings acceded to the Senior Lien Credit Agreement on 20 April 2016. Each of the Company, Forterra Holdings and Forterra Building Products is a loan party to the Senior Lien Credit

Agreement and a guarantor and security provider (as described below) of the obligations of the borrower and each guarantor under the Senior Lien Credit Agreement.

The obligations of the borrower and each guarantor under the Senior Lien Credit Agreement to the finance parties are guaranteed pursuant to a lien guarantee and collateral agreement, a debenture and an intellectual property security agreement (as described in paragraph 13.2 of this Part 14 (*Additional Information*) of this Prospectus).

The Senior Lien Credit Agreement is governed by the laws of the State of New York.

13.1.2 *Junior Lien Credit Agreement*

On 13 March 2015 LS Concrete entered into a junior lien credit agreement between, among others, LS Concrete Midco, Stardust Finance as borrower, several banks and other financial institutions party thereto as lenders, and Credit Suisse AG as agent (the “**Junior Lien Credit Agreement**”). Each of the Company and Forterra Holdings acceded to the Junior Lien Credit Agreement on 20 April 2016. Each of the Company, Forterra Holdings and Forterra Building Products is a loan party to the Junior Lien Credit Agreement and a guarantor and security provider (as described below) of the obligations of the borrower and each guarantor under the Junior Lien Credit Agreement.

The obligations of the borrower and each guarantor under the Junior Lien Credit Agreement to the finance parties are guaranteed pursuant to a lien guarantee and collateral agreement, a debenture and an intellectual property security agreement (as described in paragraph 13.2 of this Part 14 (*Additional Information*) of this Prospectus).

The Junior Lien Credit Agreement is governed by the laws of the State of New York.

13.1.3 *ABL Credit Agreement*

On 13 March 2015 LS Concrete entered into a revolving asset-based credit agreement between, among others, LS Concrete Midco, Stardust Finance as borrower, several banks and other financial institutions party thereto as lenders and Bank of America, N.A., as administrative agent and collateral agent (the “**ABL Credit Agreement**”, together with the Senior Lien Credit Agreement and the Junior Lien Credit Agreement, the “**Existing Credit Agreements**”). Each of the Company and Forterra Holdings acceded to the ABL Credit Agreement on 20 April 2016. Each of the Company, Forterra Holdings and Forterra Building Products is a loan party to the ABL Credit Agreement and a guarantor and security provider (as described below) of the obligations of each borrower and each guarantor under the ABL Credit Agreement.

The obligations of the borrower and each guarantor under the ABL Credit Agreement to the finance parties are guaranteed pursuant to a lien guarantee and collateral agreement, a debenture and an intellectual property security agreement (as described in paragraph 13.2 of this Part 14 (*Additional Information*) of this Prospectus).

The ABL Credit Agreement is governed by the laws of the State of New York.

- 13.1.4 Pursuant to the terms of the Reorganisation, each of the Company, Forterra Holdings and Forterra Building Products will, immediately prior to Admission, be released from its respective obligations under the terms of the Existing Credit Agreements and the Existing Security Documents. Please refer to paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus for further details relating to the Reorganisation.

13.2 **Existing Security Documents**

13.2.1 *Guarantee and collateral agreements*

In connection with the Existing Credit Agreements, on 13 March 2015, Stardust Finance, LS Concrete and certain other subsidiaries of LS Concrete, including Forterra Building Products, (as guarantors), and Credit Suisse AG as administrative agent or Bank of America, N.A. as administrative agent and collateral agent, among others, entered into a guarantee and collateral agreement in respect of each of the Existing Credit Agreements. On 20 April 2016, the Company and Forterra Holdings joined the existing guarantee and collateral agreements on the same terms as the existing agreements. Under the guarantee and collateral agreements the guarantors, including the Company, Forterra Holdings and Forterra Building Products, have secured substantially all of their assets in favour of the secured parties under the relevant Existing Credit Agreements.

Each guarantee and collateral agreement is governed by the laws of the State of New York.

13.2.2 *Debentures*

In connection with the Existing Credit Agreements, on 13 March 2015, the Selling Shareholder and Forterra Building Products (each as a chargor) and Credit Suisse AG as administrative agent or Bank of America, N.A. as administrative agent and collateral agent entered into a debenture in respect of each of the Existing Credit Agreements. On 20 April 2016, the Company and Forterra Holdings acceded to each of the debentures. Under the debentures, the Selling Shareholder has secured its rights, title and interest in the shares of Forterra Building Products and the Company, Forterra Holdings and Forterra Building Products have each secured substantially all of their assets in favour of the finance parties under the relevant Existing Credit Agreements.

Each debenture is governed by English law.

13.2.3 *Intellectual property security agreements*

In connection with the Existing Credit Agreements, on 13 March 2016, Forterra Building Products and certain members of the Forterra NA Group (as grantors) and Credit Suisse AG as administrative agent or Bank of America, N.A. as administrative agent and collateral agent entered into an intellectual property security agreement in respect of each of the Existing Credit Agreements. Under the intellectual property security agreements, Forterra Building Products has granted a security interest over substantially all of its intellectual property rights in favour of the finance parties under the relevant Existing Credit Agreements.

Each intellectual property security agreement is governed by the laws of the State of New York.

- 13.2.4 Pursuant to the terms of the Reorganisation, each of the Company, Forterra Holdings and Forterra Building Products will, immediately prior to Admission, be released from its respective obligations under the terms of the Existing Credit Agreements and the Existing Security Documents. Please refer to paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus for further details relating to the Reorganisation.

13.3 **New Facilities Agreement**

The Company, Forterra Holdings, Forterra Building Products and Strutherm acknowledged a binding commitment letter dated 23 March 2016 (the “**Commitment Letter**”) provided by Credit Suisse AG, London Branch and Deutsche Bank AG, London Branch as coordinators, HSBC Bank plc, The Royal Bank of Scotland plc as agent for National Westminster Bank Plc, Santander UK plc, Lloyds Bank plc as mandated lead arrangers, AIB Group (UK) p.l.c., Raiffeisen Bank International AG and ICICI BANK UK PLC as arrangers, appended to which was an agreed form senior facilities agreement (the “**New Facilities Agreement**”). Immediately prior to Admission, Forterra Building Products as borrower and guarantor will enter into the New Facilities Agreement between, among others, the Company, Forterra Holdings and Strutherm as original guarantors (together with Forterra Building Products, the “**Original Guarantors**”), AIB Group (UK) p.l.c., HSBC Bank plc, ICICI BANK UK PLC, Lloyds Bank plc, National Westminster Bank Plc, Raiffeisen Bank International AG and Santander UK plc (together, the “**New Lenders**”) and The Royal Bank of Scotland plc as agent and security agent (the “**Agent**” and the “**Security Agent**”, respectively).

Pursuant to the terms of the New Facilities Agreement, a sterling term loan facility with a maximum aggregate principal amount of £150,000,000 (the “**Term Facility**”) and a sterling revolving credit facility with a maximum aggregate principal amount of £30,000,000 (the “**Revolving Credit Facility**”) and, together with the Term Facility, the “**New Facilities**”) will be made available to Forterra Building Products and certain other members of the Group.

Under the New Facilities Agreement, the Term Facility may be utilised by way of loans for the purpose of (i) financing transaction costs incurred in connection with the Senior Facilities and the Offer and (ii) refinancing certain other financial indebtedness, including certain financial indebtedness of certain affiliates of the Company. The Revolving Credit Facility may be utilised by way of loans, letters of credit and/or ancillary facilities for the purpose of financing the general corporate purposes or working capital requirements of the Group. Up to £25,000,000 of the Revolving Credit Facility may be utilised for the purposes of acquiring companies, businesses and undertakings, provided that for a consecutive

period of five Business Days ending with the day which is the first anniversary of the date of Admission, the outstanding aggregate amount of the Revolving Credit Facility (in addition to the cash loans under any ancillary facility and/or letter of credit under the New Facilities and less any cash or cash equivalent investments held by any wholly owned members of the Group) does not exceed zero.

Under the New Facilities Agreement, Forterra Building Products is required to repay the Term Facility in instalments of £10,000,000 on each anniversary of the date of Admission and all outstanding amounts under the Term Facility are required to be repaid on the date which falls 60 months after Admission. Each loan made under the Revolving Credit Facility is repayable on the last day of its interest period. Forterra Building Products or the Company may select an interest period of one, two, three or six months or any such period as agreed by the Company, the Agent and each lender in relation to the relevant loan.

Interest is payable on amounts drawn by way of loans under the New Facilities Agreement at a rate of LIBOR plus a variable margin. On Admission, the applicable margin is 2.25% per annum under the Term Facility and 2.25% per annum under the Revolving Credit Facility. Following delivery of a compliance certificate under the New Facilities Agreement (provided no event of default has occurred and is continuing and a compliance certificate for the period ending 31 December 2016 has been delivered), the applicable margin will be calculated by reference to the ratio of total net debt to EBITDA (as defined in the New Facilities Agreement). The highest applicable margin payable is 2.75% per annum and the lowest margin payable is 1.50% per annum.

A commitment fee is payable on unutilised amounts under the Revolving Credit Facility at a rate of 35% of the applicable margin. An arrangement fee is payable on each original lender's aggregate commitments as set out in further detail in the Commitment Letter and customary fees are also payable to the Agent and the Security Agent.

The obligations of the borrower under the New Facilities Agreement are guaranteed by the Original Guarantors. The rights of the New Lenders under the New Facilities Agreement will, subject to agreed security principles, be secured by security over the shares held by each Original Guarantor.

The New Facilities Agreement also contains customary prepayment, cancellation and default provisions and customary representations and warranties (subject to certain exceptions and qualifications) and financial covenants, including:

- (a) if required by a lender, mandatory prepayment of all utilisations provided by that lender upon a change of control or sale of all or substantially all of the assets of the Group in a single transaction or series of related transactions;
- (b) financial covenants which require that (i) the ratio of EBITDA (as defined in the New Facilities Agreement) to net finance charges should exceed 4.00:1 and (ii) the ratio of total net debt to EBITDA (as defined in the New Facilities Agreement) does not exceed a specified level (the maximum threshold being 3.50:1);
- (c) covenants that impose restrictions on the Group's ability to enter into mergers, make a substantial change to the general nature of the business of the Group, make acquisitions, grant security, make disposals or incur additional financial indebtedness (in each case subject to certain exceptions);
- (d) voluntary prepayment of loans or letters of credit (subject to minimum amounts and prior notice);
- (e) events of default including non-payment, failure to comply with financial covenants, breach of representation, insolvency, cross-default, unlawfulness and invalidity, repudiation and rescission of the finance documents and material adverse effect (in each case, subject to customary grace periods and thresholds); and
- (f) certain ongoing financial information provisions.

The New Facilities Agreement is governed by English law.

13.4 New Security Document

In connection with the New Facilities Agreement, immediately prior to Admission, each of the Company, Forterra Holdings and Forterra Building Products as chargors (the "**Chargors**") will enter into a security over shares agreement in favour of The Royal Bank of Scotland plc as trustee for each of the secured parties (the "**Security Agent**"). Pursuant to the terms of the New Security Document, each

Chargor has granted security over all of its rights, title and interest in the shares of its respective subsidiary in favour of the Security Agent on behalf of the secured parties, as continuing security for the payment and discharge of all liabilities and obligations owing by the Chargors to the secured parties.

The New Security Document is governed by English law.

13.5 New Intercreditor Agreement

In connection with the New Facilities Agreement, immediately prior to Admission, each of the Company, Forterra Holdings and Forterra Building Products as original debtors (the “**Original Debtors**”) will enter into an intercreditor agreement between, among others, the lenders party thereto and The Royal Bank of Scotland plc as security agent (the “**Security Agent**”) (the “**New Intercreditor Agreement**”). Pursuant to the terms of the New Intercreditor Agreement, each Original Debtor agrees (among other things) to subordinate its claims as an intra-group creditor of other members of the Group to the claims owed to the senior creditors under the finance documents.

The New Intercreditor Agreement is governed by English law.

14. UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. The Chancellor of the Exchequer presented the 2016 Budget to the House of Commons on 16 March 2016, and a Finance Bill giving effect to his announcement was published on 24 March 2016. The following statements are based on current UK tax law as applied in England and Wales, the Finance Bill 2016 in the form as published on 24 March 2016 (which it is assumed will be enacted without amendment), and the current published practice of HMRC (which may not be binding on HMRC) as at the date of this Prospectus. These may change, possibly with retrospective effect. They apply only to Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the United Kingdom (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than in an individual savings account) and who are the absolute beneficial owner of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Ordinary Shares in connection with employment, dealers in securities, insurance companies, persons connected with the Company, collective investment schemes and persons subject to other specific tax regimes or benefiting from certain reliefs or exemptions) is not considered. **The statements summarise the position as described above and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their own professional advisers.**

14.1 Taxation of Dividends

The Company is not required to withhold amounts on account of UK tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

14.1.1 *UK resident individual Shareholders*

An individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a cash dividend from the Company will pay no tax on their dividend allowance, being the first £5,000 of dividend income. The rates of income tax on dividends received above the dividend allowance are: (a) 7.5% for dividends taxed in the basic rate band; (b) 32.5% for dividends taxed in the higher rate band; and (c) 38.1% for dividends taxed in the additional rate band. Dividend income that is within the dividend allowance counts towards an individual’s basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of this allowance. In calculating into which tax band any dividend income over the £5,000 allowance falls, savings and dividend income are treated as the highest part of an individual’s income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

An individual UK Shareholder who has ceased to be resident for tax purposes in the United Kingdom or is treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or

less and who receives or becomes entitled to dividends from the Company during that period of temporary non-residence may, if the Company is treated as a close company for UK tax purposes and certain other conditions are met, be liable for income tax on those dividends on his or her return to the United Kingdom.

14.1.2 *UK resident corporate Shareholders*

It would normally be expected that most dividends paid on the Ordinary Shares to UK resident corporate Shareholders will fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules and other conditions. In the event that the dividends do not qualify for such exemption, Shareholders within the charge to corporation tax will be subject to corporation tax on them.

14.1.3 *Non-UK resident Shareholders*

Shareholders who are not resident in the United Kingdom will not generally be subject to UK corporation tax on dividends unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

A Shareholder resident outside the United Kingdom may be subject to non-UK taxation on dividend income under local law.

A Shareholder who is resident outside the United Kingdom for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

14.1.4 *Future changes to the taxation of dividends*

On 9 December 2015, the UK Government published a consultation document regarding the rules for company distributions and further changes to the United Kingdom tax treatment of dividends paid by the Company are possible.

14.2 **Taxation of Disposals**

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for tax purposes may, depending upon the Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate Shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Shareholders who are not resident in the United Kingdom will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Ordinary Shares unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the United Kingdom or is treated as resident outside the United Kingdom for the purposes of a double tax treaty ("**Treaty non-resident**") for a period of five years or less and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the United Kingdom, subject to any available exemptions or reliefs.

14.3 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

14.3.1 *The Offer*

The transfer of, or agreement to transfer, Ordinary Shares sold by the Selling Shareholder under the Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholder has agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Ordinary

Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

14.3.2 *Subsequent transfers*

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. As noted above an exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

14.3.3 *Ordinary Shares transferred through paperless means including CREST*

Paperless transfers of Ordinary Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

14.3.4 *Ordinary Shares held through clearance systems or depositary receipt arrangements*

Special rules apply where Ordinary Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5%. Following litigation HMRC has confirmed that they will no longer seek to apply the 1.5% SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation.

Accordingly, specific professional advice should be sought before incurring a 1.5% stamp duty or SDRT charge in any circumstances.

Except in relation to clearance services that have made an election under section 97A(1) of the Finance Act 1986 (to which the special rules outlined below apply), no stamp duty or SDRT is payable in respect of transfers within clearance services or depositary receipt systems.

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt system.

The statements in this paragraph 14.3 of this Part 14 (*Additional Information*) of this Prospectus apply to any holders of Ordinary Shares irrespective of their residence, summarise the current

position and are intended as a general guide only. Special rules apply to agreements made by, among others, intermediaries.

14.4 Inheritance Tax

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Ordinary Share through such companies or trust arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

15. US FEDERAL INCOME TAXATION

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to the acquisition, ownership and disposition of Ordinary Shares. This discussion is not a complete description of all tax considerations that may be relevant. It addresses only US Holders (as defined below) that purchase Ordinary Shares in the Offer, will hold Ordinary Shares as capital assets and use the US dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively 10% or more of the Company's share capital, US expatriates, investors liable for alternative minimum tax, persons holding Ordinary Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction, persons holding Ordinary Shares in connection with a permanent establishment or fixed base outside the United States, investors holding the Shares in connection with a trade or business conducted outside of the United States, or investors whose functional currency is not the US dollar. It also does not address US federal taxes other than income tax (*e.g.*, estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "**US Holder**" means a beneficial owner of Ordinary Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of one or more US persons and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Ordinary Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their own tax advisers regarding the specific US federal income tax consequences to them and their partners of the partnership's acquisition, ownership and disposition of Ordinary Shares.

The Company believes, and the following discussion assumes, that the Company was not in its last taxable year, is not and will not become a passive foreign investment company ("**PFIC**") for US federal income tax purposes. The tests to determine whether a company is a PFIC apply annually and a company's status can change depending, among other things, on changes in the composition and relative value of its gross receipts and assets, changes in its operations and changes and the market value of its stock. Accordingly, no assurance can be provided by the Company that it will not become a PFIC in any future year.

15.1 Dividends

Distributions on the Ordinary Shares paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) generally will be includable in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the Ordinary Shares, and thereafter, as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company on the Ordinary Shares will be reported as ordinary dividend income. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Dividends will not be eligible for the dividends-received deduction generally available to US corporations. If the Company qualifies for benefits under the United States-United Kingdom tax treaty (the "**Treaty**") and is not a PFIC in the year of distribution or in the preceding year, dividends on the Ordinary Shares will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. The Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than US dollars will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars or otherwise disposed of at that time. A US Holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

15.2 Dispositions

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Ordinary Shares in an amount equal to the difference between the US Holder's adjusted tax basis in the Ordinary Shares and the US dollar value of the amount realised from the sale or other disposition.

A US Holder's adjusted tax basis in the Ordinary Shares generally will be the US dollar value of the purchase price paid in the Offer at the spot rate on the date of purchase (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder's holding period exceeds one year. Deductions for capital loss are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a US Holder's actual holding period to the extent the US Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Ordinary Shares that exceeded 10% of such US Holder's basis in the Ordinary Shares.

A US Holder that receives a currency other than US dollars on the sale or other disposition of Ordinary Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

15.3 Passive Foreign Investment Company Rules

The Company believes that it was not a PFIC for its most recent taxable year ending 31 December 2015 and, based on the composition of the Company's assets and gross income and the manner in which the Company expects to operate the Group's business in the foreseeable future, does not expect that it will be a PFIC for its current taxable year or for any future taxable year. In general, a corporation organised or incorporated outside the United States is a PFIC for any taxable year in which, taking into account a *pro rata* portion of the income and assets of 25% or more owned subsidiaries, either (i) at least 75% of its gross income consists of passive income or (ii) at least 50% of the average quarterly value of its

assets held during the taxable year consists of assets that produce, or are held for the production of, passive income. For this purpose, cash is considered a passive asset and passive income generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions. Whether the Company is classified as a PFIC for any taxable year is a factual determination made annually at the close of each taxable year, and the Company's status could change depending upon, among other things, changes in the composition and relative value of its gross receipts and assets, which may be dependent on the market value of the Ordinary Shares, and the manner in which the Company otherwise conducts its business. Accordingly, no assurance can be given that the Company will not be a PFIC in the current or any future taxable year.

If the Company were a PFIC for any taxable year during which a US Holder owns Ordinary Shares, whether or not the Company continued to be classified as a PFIC, (a) gain recognised by such US Holder on a sale or other taxable disposition of the Ordinary Shares and certain distributions generally would be allocated ratably over the US Holder's holding period for the Ordinary Shares, (b) the amounts allocated to the taxable year of the sale or other taxable disposition and to any year before the Company became a PFIC would be taxed at ordinary income (rather than capital gains) rates and the amounts allocated to each other taxable year would be subject to tax at the highest marginal tax rate in effect for ordinary income for such year, and (c) an interest charge would be imposed in respect of the deferred payment of the tax attributable to each such year. Additionally, dividends paid by the Company would not be eligible for the reduced rate of tax described under "Dividends" and US holders may be required to file annual reports with the US Internal Revenue Service ("IRS") containing such information as may be required.

Certain elections may be available (including a mark-to-market election) to US holders that could mitigate some of the adverse tax consequences described above. US Holders should consult their own tax advisers concerning the Company's PFIC status and the consequences to them if the Company were to be a PFIC for any taxable year, including whether any elections are available and advisable in their particular circumstances.

15.4 Medicare Tax on Net Investment Income

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of Ordinary Shares). Non-corporate US Holders should consult their own tax advisers regarding the possible effect of such tax on their ownership and disposition of Ordinary Shares.

15.5 Reporting and Backup Withholding

Dividends on the Ordinary Shares and proceeds from the sale or other disposition of Ordinary Shares generally will be reported to the US IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the US Holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the holder's liability, provided the required information is timely furnished to the IRS. US Holders should consult their tax advisers as to their qualification for, and the procedure for obtaining, exemption from backup withholding.

Certain US Holders are required to report information with respect to Ordinary Shares not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in Ordinary Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE ORDINARY SHARES IN LIGHT OF THE INVESTOR'S OWN CIRCUMSTANCES.

16. **ENFORCEMENT AND CIVIL LIABILITIES UNDER US FEDERAL SECURITIES LAWS**

The Company is a public limited company incorporated under English law. Certain of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgements obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgements of the US courts, of civil liabilities predicated upon US federal securities laws.

17. **LITIGATION**

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

18. **RELATED PARTY TRANSACTIONS**

Save as described in paragraph 3 of this Part 14 (*Additional Information*) of this Prospectus, in the Group's audited consolidated financial information for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 set out in Section B of Part 11 (*Historical Financial Information*) of this Prospectus and for the Relationship Agreement (as described in Part 7 (*Directors, Senior Managers and Corporate Governance*) of this Prospectus) and the Assignment Agreement (as described in paragraph 12.16 of Part 14 (*Additional Information*) of this Prospectus), there are no related party transactions between the Company or members of the Group that were entered into during the years ended 31 December 2013, 31 December 2014 and 31 December 2015 and during the period between 1 January 2016 and the date of this Prospectus.

19. **WORKING CAPITAL**

In the opinion of the Company, taking into account the New Facilities made available pursuant to the term of the New Facilities Agreement and the bank and other facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

20. **NO SIGNIFICANT CHANGE**

Save for the Reorganisation, there has been no significant change in the financial or trading position of the Group since 31 December 2015, the date to which the historical financial information set out in Section B of Part 11 (*Historical Financial Information*) of this Prospectus relating to the Group was prepared.

21. **TAKEOVER BIDS**

The City Code on Takeovers and Mergers (the "**City Code**") is issued and administered by The Panel on Takeovers and Mergers (the "**Takeover Panel**"). The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

21.1 **Mandatory bids**

Rule 9 of the City Code provides that, except with the consent of the Takeover Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company; or (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares of that company which increases the percentage of shares carrying voting rights in which he is interested, then, in either case,

that person (and possibly each of the principal members of a group of persons acting in concert with him) is normally required to extend offers in cash, or accompanied by a cash alternative, at the highest price paid by him (or any persons acting in concert with him) for shares of that company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

If any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry more than 50% of the voting rights of a company, such person, or any person acting in concert with him, may acquire further interests in shares of that company without incurring any obligation under Rule 9 of the City Code to extend any offers. The Selling Shareholder and Lone Star are presumed by the Takeover Panel to be acting in concert for the purposes of the City Code. Immediately following Admission, it is expected that the Selling Shareholder will hold approximately 65.0% of the voting rights attached to the Ordinary Shares, assuming no exercise of the Over-allotment Option, and the Selling Shareholder, will hold approximately 59.8% of the voting rights attached to the Ordinary Shares, assuming the Over-allotment Option is exercised in full.

21.2 Squeeze-out

Under the 2006 Act, if a “takeover offer” (as defined in section 974 of the 2006 Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the Ordinary Shares to which the takeover offer relates (the “**Takeover Offer Shares**”) and not less than 90% of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

21.3 Sell-out

The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror is required to give any Shareholder notice of their right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

22. CONSENTS

Ernest & Young LLP has given and has not withdrawn its written consent to the inclusion of the reports in Section A of Part 11 (*Historical Financial Information*) of this Prospectus and Section B of Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus, in the form and context in which they appear and has authorised the contents of those parts of this Prospectus which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the US Securities and Exchange Commission under section 7 of the US Securities Act. As the Ordinary Shares have not been paid and will not be registered under the US Securities Act, Ernst & Young LLP has not filed a consent under section 7 of the US Securities Act.

23. GENERAL

- 23.1 The fees and expenses to be borne by the Company in connection with Admission including the FCA’s fees, professional fees and expenses are estimated to amount to £17.3 million (including VAT to the

extent it is a cost to the Company). In addition, the Selling Shareholder has agreed to pay underwriting commissions, VAT (if applicable) and stamp duty or SDRT in connection with the Offer of approximately £4.4 million (assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option).

- 23.2 The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the 2006 Act. Full audited accounts have been delivered to the Registrar of Companies for the Group for the relevant periods.

24. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Prospectus at the offices of Gibson, Dunn & Crutcher LLP at Telephone House, 2–4 Temple Avenue, London EC4Y 0HB, United Kingdom:

- 24.1 the articles of association of the Company;
- 24.2 the historical financial information of the Group in respect of the years ended 31 December 2013, 31 December 2014 and 31 December 2015, together with the related accountant's report from Ernst & Young LLP, which is set out in Section A of Part 11 (*Historical Financial Information*) of this Prospectus;
- 24.3 the accountant's report from Ernst & Young LLP on the unaudited pro forma financial information, which is set out in Section B of Part 12 (*Unaudited Pro Forma Financial Information*) of this Prospectus;
- 24.4 the consent letter referred to in "Consents" in paragraph 22 of this Part 14 (*Additional Information*) of this Prospectus; and
- 24.5 this Prospectus.

Dated: 21 April 2016

PART 15

DEFINITIONS AND GLOSSARY

Definitions

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“2006 Act”	the UK Companies Act 2006, as amended
“ABL Credit Agreement”	the ABL credit agreement dated 13 March 2015 entered into between, among others, Stardust Finance, as borrower, certain of its group undertakings, including Forterra Building Products, as guarantors, the several banks and other financial institutions party thereto as lenders and Bank of America, N.A., as administrative agent and collateral agent, as further described in paragraph 13.1.3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Admission”	the admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the LSE Admission Standards, as the context may require
“Articles”	the articles of association of the Company as in effect on Admission
“Assignment Agreement”	the assignment agreement dated 21 April 2016 entered into between Forterra Building Products and LS Concrete, as further described in paragraph 12.16 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Banks”	Deutsche Bank, Credit Suisse and Citigroup
“Board”	the board of directors of the Company
“Business Day”	a day (not being a Saturday or a Sunday) on which Banks are generally open for business in London, United Kingdom
“certificated” or “certificated form”	not in uncertificated form
“Citigroup”	Citigroup Global Markets Limited
“City Code”	City Code on Takeovers and Mergers
“Commitment Letter”	the commitment letter dated 23 March 2016 acknowledged by the Company, Forterra, Holdings, Forterra Buildings Products and Structerm provided by the New Lenders, as further described in paragraph 13.3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Company” or “Forterra”	Forterra plc, a public limited company incorporated in England and Wales with registered number 9963666
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time
“CPA”	the Construction Products Association of the United Kingdom
“CPR”	the UK Construction Products Regulations 2013 (S.I. 2013/1387)
“Credit Suisse”	Credit Suisse Securities (Europe) Limited

“CREST”	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to shares in uncertificated form
“DABP”	the Forterra Deferred Annual Bonus Plan, as described in paragraph 7.3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Deutsche Bank”	Deutsche Bank AG, a corporation domiciled in Frankfurt am Main, Germany, operating in the United Kingdom under branch registration number BR000005, acting through its London Branch at Winchester House, 1 Great Winchester Street, London EC2N 2DB
“Directors”	the Executive Directors and the Non-Executive Directors
“Disclosure and Transparency Rules”	the disclosure rules and the transparency rules of the FCA made under Part VI of FSMA
“EBITDA”	earnings before interest, taxation, depreciation and amortisation
“EEA”	the European Economic Area
“EED”	the European Union’s Energy Efficiency Directive 2012/27/EU
“EUETS”	the European Union Emissions Trading Scheme
“euro” or “€”	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
“EU”	the European Union
“Executive Directors”	the executive directors of the Company as at the date of this Prospectus and whose names are set out in Part 7 (<i>Directors, Senior Managers and Corporate Governance</i>) of this Prospectus under the heading “Directors”
“Existing Credit Agreements”	the Senior Lien Credit Agreement, the Junior Lien Credit Agreement and the ABL Credit Agreement
“Existing Loan Note”	the £405 million intercompany loan note dated 13 March 2015, as amended on 1 May 2015, issued by Forterra Building Products in favour of the Selling Shareholder, as further described in paragraph 12.10 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Existing Security Documents”	the security documents described in paragraph 13.2 of Part 14 (<i>Additional Information</i>) of this Prospectus
“FCA”	the Financial Conduct Authority of the United Kingdom (or its successor bodies)
“Forterra Building Products”	Forterra Building Products Limited, a limited liability company in incorporated in England and Wales with registered number 08960430
“Forterra Holdings”	Forterra Holdings Limited, a limited liability company in incorporated in England and Wales with registered number 9983078
“Forterra NA Group”	Forterra Brick Ltd., Forterra Brick America, Inc., Forterra P&P Canada and Forterra P&P US, together with their respective subsidiary undertakings from time to time

“Forterra P&P Canada”	Forterra Pipe & Precast, Ltd., an Ontario corporation
“Forterra P&P US”	Forterra Pipe & Precast LLC, a Delaware limited liability company
“Forterra SPA”	the share purchase agreement dated 20 April 2016 entered into between the Selling Shareholder and the Company, as further described in paragraph 3.2 of this Part 14 (<i>Additional Information</i>) of this Prospectus
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“Group”	Forterra Building Products and Struchterm and, following completion of the Reorganisation, the Company and each of its subsidiary undertakings
“HC Loan Note”	the £405 million intercompany loan note dated 1 September 2014 issued by Forterra Building Products in favour of a member of the HeidelbergCement Group
“Heidelberg Aggregates Supply Agreement”	the aggregates supply agreement dated 13 March 2015 entered into between Hanson Quarry Products Europe Limited and Forterra Building Products, as further described in paragraph 12.13 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Heidelberg Cement Supply Agreement”	the cement supply agreement dated 13 March 2015 entered into between Castle Cement Limited and Forterra Building Products, as further described in paragraph 12.14 of Part 14 (<i>Additional Information</i>) of this Prospectus
“HeidelbergCement Group”	HeidelbergCement AG and its subsidiary undertakings from time to time
“Heidelberg TSA”	the transitional services agreement dated 13 March 2015 entered into between a member of the HeidelbergCement Group and LS Concrete, as further described in paragraph 12.12 of Part 14 (<i>Additional Information</i>) of this Prospectus
“HMRC”	Her Majesty’s Revenue and Customs
“Holdings SPA”	the share purchase agreement dated 20 April 2016 entered into between the Company and Forterra Holdings, as further described in paragraph 3.3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“IED”	the European Union’s Industrial Emissions Directive 2010/75/EU
“IFRS”	International Financial Reporting Standards, as adopted by the European Union
“Joint Bookrunners”	Deutsche Bank, Credit Suisse and Citigroup
“Joint Global Co-ordinators”	Deutsche Bank and Credit Suisse
“Junior Lien Credit Agreement”	the junior lien credit agreement dated 13 March 2015 entered into between, among others, Stardust Finance, as borrower, certain of its group undertakings, including Forterra Building Products, as guarantors, the several banks and other financial institutions party thereto as lenders and Credit Suisse AG as agent, as further described in paragraph 13.1.2 of Part 14 (<i>Additional Information</i>) of this Prospectus

“LIBOR”	the London Interbank Offered Rate
“Listing Rules”	the listing rules of the FCA made under Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Lone Star”	Lone Star Fund IX (U.S.), L.P. and its affiliates
“Lone Star Acquisition”	the acquisition by the Selling Shareholder of the Group and the acquisition by Lone Star of the Forterra NA Group on 13 March 2015
“Lone Star Directors”	Bradley Boggess and Richard Cammerer, the Non-Executive Directors appointed by the Selling Shareholder pursuant to the terms of the Relationship Agreement
“LSE Admission Standards”	the admission and disclosure standards issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Official List
“LS Concrete”	LSF9 Concrete Ltd, a limited liability company incorporated in Jersey with registered number 117753
“LS Concrete Midco”	LSF9 Concrete Mid-Holdings Ltd, a limited liability company incorporated in Jersey with registered number 117755
“Member State”	a member state of the EU
“New Facilities”	the Term Facility and the Revolving Credit Facility
“New Facilities Agreement”	the senior facilities agreement to be entered into between Forterra Building Products, as borrower and guarantor, the Company, Forterra Holdings and Struchterm, as original guarantors, the New Lenders as lenders and The Royal Bank of Scotland plc as agent and security agent, as further described in paragraph 13.3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“New Lenders”	AIB Group (UK) p.l.c., Credit Suisse AG, London Branch, Deutsche Bank AG, London Branch; HSBC Bank plc, ICICI BANK UK PLC, Lloyds Bank plc, National Westminster Bank Plc, Raiffeisen Bank International AG and Santander UK plc
“New Loan Note”	the £404,969,433 intercompany loan note dated 20 April 2016 issued by the Company in favour of the Selling Shareholder, as further described in paragraph 12.11 of Part 14 (<i>Additional Information</i>) of this Prospectus
“New Security Document”	the security over shares agreement to be entered into between the Company, Forterra Holdings and Forterra Building Products as chargors and The Royal Bank of Scotland plc as trustee for each of the secured parties, as described in paragraph 13.4 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Non-Executive Directors”	the non-executive Directors of the Company
“Offer”	the sale of Ordinary Shares by the Selling Shareholder described in Part 13 (<i>Details of the Offer</i>) of this Prospectus
“Offer Price”	the price at which each Ordinary Share is to be sold pursuant to the Offer

“Offer Shares”	the 70,000,000 Ordinary Shares to be sold by the Selling Shareholder pursuant to the terms of the Offer
“Official List”	the Official List of the FCA
“ONS”	the Office for National Statistics of the United Kingdom
“Ordinary Shares”	the ordinary shares in the capital of the Company with a nominal value of 1 pence each, having the rights set out in the Articles
“Over-allotment Option”	the option granted by the Selling Shareholder to the Stabilising Manager to purchase, or procure purchasers for, up to 10,500,000 additional Ordinary Shares, as further described in Part 13 (<i>Details of the Offer</i>) of this Prospectus
“Over-allotment Shares”	the Ordinary Shares the subject of the Over-allotment Option
“PRA”	the Prudential Regulation Authority of the United Kingdom
“Prospectus”	this prospectus as approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules
“Prospectus Directive”	European Union Directive 2003/71/EC as implemented by European Union Prospectus Directive Regulation 2004/809/EC and as amended (including by virtue of Directive 2010/73/EU) and includes any relevant implementing measure in each Member State
“Prospective Directive Regulation”	European Union Prospectus Directive Regulation 2004/809/EC
“Prospectus Rules”	the prospectus rules of the United Kingdom made under section 73A of FSMA
“PSP”	the Forterra Performance Share Plan, as described in paragraph 7.2 of Part 14 (<i>Additional Information</i>) of this Prospectus
“qualified institutional buyers” or “QIBs”	has the meaning given by Rule 144A
“Qualified Investors”	persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
“Registrars”	Capita Asset Services
“Regulation S”	Regulation S under the US Securities Act
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulated information from listed companies
“Relationship Agreement”	the relationship deed dated 21 April 2016 entered into between the Company and the Selling Shareholder, as further described in Part 7 (<i>Directors, Senior Managers and Corporate Governance</i>) of this Prospectus
“Relevant Member State”	each member state of the European Economic Area which has implemented the Prospectus Directive
“Reorganisation”	the reorganisation of the Group in preparation for the Offer and the refinancing of the Group in accordance with the terms of the Reorganisation Documents, as further described in paragraph 3 of Part 14 (<i>Additional Information</i>) of this Prospectus

“Reorganisation Agreement”	the reorganisation deed dated 21 April 2016 entered into between Stardust Finance, LS Concrete Midco, the Selling Shareholder, the Company, Forterra Holdings and Forterra Building Products relating to the Reorganisation, as further described in paragraph 3.4 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Reorganisation Documents”	the Forterra SPA, the Holdings SPA and the Reorganisation Agreement, as further described in paragraph 3 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Reporting Accountant”	Ernst & Young LLP
“Revolving Credit Facility”	the £30,000,000 to be made available to the Group pursuant to the terms of the New Facilities Agreement
“RIBA”	Royal Institute of British Architects
“Rule 144A”	Rule 144A under the US Securities Act
“SDRT”	stamp duty reserve tax
“Selling Shareholder”	LSF9 Concrete UK Ltd, a limited liability company incorporated in Jersey with registered number 117754
“Senior Lien Credit Agreement”	the senior lien term loan credit agreement dated 13 March 2015 entered into between, among others, Stardust Finance, as borrower, LS Concrete and certain of its other subsidiaries, including Forterra Building Products, as guarantors, the several banks and other financial institutions party thereto as lenders, and Credit Suisse AG, as administrative agent and collateral agent, as further described in paragraph 13.1.1 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Senior Managers”	the persons named in Part 7 (<i>Directors, Senior Managers and Corporate Governance</i>) under the heading “Senior Managers”, and each being a “Senior Manager”
“Share Plans”	the PSP, the DABP, the Forterra Share Incentive Plan and the Forterra Sharesave Plan, as described in paragraphs 7.1 to 7.6 of Part 14 (<i>Additional Information</i>) of this Prospectus
“Shareholders”	the holders of Ordinary Shares
“Sponsor”	Deutsche Bank
“Stabilising Manager”	Deutsche Bank
“Stabilising Period”	the period between commencement of conditional trading of the Ordinary Shares on the London Stock Exchange and 30 days thereafter
“Stardust Finance”	Stardust Finance Holdings, Inc., a Delaware corporation
“Stardust Holdings”	Stardust Holdings (USA), LLC, a Delaware limited liability company, the parent company of Forterra Brick America, Inc. and Forterra P&P US
“sterling”, “pounds sterling”, “GBP” or “pence”	the lawful currency of the United Kingdom

“Structherm”	Structherm Limited, a limited liability company incorporated in England and Wales with registered number 01635024
“Takeover Panel”	The Panel on Takeovers and Mergers
“Term Facility”	the £150,000,000 to be made available to the Group pursuant to the terms of the New Facilities Agreement
“Trademark Agreement”	the trademark ownership agreement dated 5 October 2015 entered into between the Company, Stardust Holdings, Forterra P&P US and Forterra P&P Canada, as further described in paragraph 12.15 of Part 14 (<i>Additional Information</i>) of this Prospectus
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Government”	the central government of the United Kingdom
“Underwriting Agreement”	the underwriting agreement dated 21 April 2016 entered into between the Company, the Directors, the Selling Shareholder and the Banks, as further described in paragraph 9.1 of Part 14 (<i>Additional Information</i>) of this Prospectus
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US dollars” or “US\$”	the lawful currency of the United States
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended
“US Securities Act”	the United States Securities Act of 1933, as amended
“VAT”	value added tax
“Waste Directive”	the European Union’s Waste Framework Directive 2008/98/EC
“WFD”	the European Union’s Water Framework Directive 2000/60/EC

Glossary

The following terms have the meanings provided below unless the context required otherwise:

“aggregates”	sand, gravel, crushed limestone and other recycled materials
“aging population”	occurs when the median age of a country or region rises due to rising life expectancy and/or declining fertility rates
“BAT”	Best-Available Techniques
“BBA certificate”	a construction product approval scheme developed by the British Board of Agrément, a UK body issuing certificates for construction products and systems
“beam and block flooring”	traditional flooring system for ground and upper floors in domestic and commercial applications; the system is made up of pre-stressed, inverted ‘T’ beams infilled with standard building blocks
“BES6001”	an independent and international certification scheme operated by BRE Global Ltd to demonstrate that products certified against the scheme have been responsibly sourced
“BIM”	building information modelling, the process of generating and displaying the information required for the design and construction of a building using one computer model rather than separate sets of drawings
“BREEAM”	Building Research Establishment Environmental Assessment Methodology, a leading sustainability assessment method for master planning projects, infrastructure and buildings
“brick shapes”	bricks customised to form specific shapes
“brownfield”	land previously used for industrial purposes or some commercial uses, which may have been contaminated with hazardous waste or pollution
“BSOHSAS18001”	an independent and internationally recognised occupational health and safety management certification scheme
“CAGR”	compound annual growth rate
“cement”	a powdery substance made by calcining lime and clay, mixed with water to form mortar or mixed with aggregates to form concrete
“concrete”	a composite material composed of aggregate bonded together with a fluid cement which hardens over time
“CO₂”	carbon dioxide
“economic downturn”	the economic downturn that resulted from the financial crisis
“extruded bricks”	a process in which a clay mixture is forced through a die to create a long column which is then cut into bricks (see also “wirecut extruded bricks”)
“facing bricks”	bricks with aesthetic characteristics that allow them to be used and exposed on the outside of a wall
“financial crisis”	the financial crisis of 2007 and 2008

“flue system”	a pipe, tube, or channel for conveying hot air, gas, steam, or smoke from a furnace or fireplace to a chimney
“GDP”	gross domestic product
“greenfield”	undeveloped land in a city or rural area either used for agriculture, landscape design, or left to evolve naturally
“housing starts”	the economic indicator that reflects the number of residential buildings (units) on which construction has been started in a given period
“infill block”	a block for use with floor beams in ground floor application
“ISO14001”	an independent and internationally recognised environmental quality management certification scheme operated by BSI Group
“ISO50001”	an independent and internationally recognised energy management certification scheme
“ISO9001”	an independent and internationally recognised quality management certification scheme
“kiln”	a thermally insulated chamber that produces temperatures sufficient to complete processes, such as hardening, drying, or chemical changes and that is used for burning bricks
“m²”	metre square
“m³”	metre cube
“precast concrete”	a construction product produced by casting concrete in a reusable mould or “form” which is then cured in a controlled environment, transported to the construction site and lifted into place
“Psi value”	the thermal weakness at the intersection of building elements such as walls and floors
“pulverised fuel ash” or “PFA”	the residues generated by coal combustion, and is composed of the fine particles that are driven out of the boiler with the flue gases
“render”	a material made of an aggregate, a binder, and water which is applied wet and hardens to a very dense solid; it is used as decorative coating for walls and ceilings and as a sculptural and artistic material in architecture
“RMI”	repair, maintenance and improvement
“shale”	the raw material used for the fabrication of bricks, which has the characteristic of burning red
“SKU”	a stock keeping unit
“SuDS”	sustainable urban drainage systems
“T beam”	load-bearing structures of reinforced concrete, wood or metal, with T-shaped cross sections

“thin bricks”

a thin facing applied over an insulant to provide a traditional “brick” wall finish; thin bricks can either be manufactured by extrusion or cut from real bricks

“U-value”

the measure of heat loss expressed in $\text{W/m}^2\text{K}$, measuring the amount of heat lost in watts (W) per square metre of material (for example wall, roof, floor, etc.) when the temperature (K) outside is at least one degree lower; the lower the U-value, the better the insulation provided by the material

“wirecut extruded bricks”

a brick cut from clay shaped by extrusion before being fired in the kiln; the long column of extruded clay is cut into bricks by a set of wires

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Public Prospects

Forterra