

REGISTERED NUMBER: 08960430

HBP BUILDING PRODUCTS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014**

TUESDAY



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HBP BUILDING PRODUCTS LIMITED

COMPANY INFORMATION

DIRECTORS

B J Guyatt
S R Harrison
M R J Clay
J Bradley

COMPANY SECRETARY

A G Thompson

COMPANY NAME

Pimco 2945 Limited (26 March 2014 – 31 August 2014)
Hanson Building Products Limited (1 September 2014 – 6 April 2015)
HBP Building Products Limited (from 7 April 2015)

REGISTERED NUMBER

08960430

REGISTERED OFFICE

Measham Works
Atherstone Road Measham
Swadlincote
Derbyshire
DE12 7EL

INDEPENDENT AUDITOR

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

HBP BUILDING PRODUCTS LIMITED

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HBP BUILDING PRODUCTS LIMITED

STRATEGIC REPORT FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

The directors present their strategic report on HBP Building Products Limited (the “Company”) for the period 26 March 2014 to 31 December 2014

GENERAL INFORMATION

The Company was incorporated under the name Pimco 2945 Limited on 26 March 2014 as a wholly owned subsidiary of HeidelbergCement AG (“HC”) On 1 September 2014, subsidiary undertakings of HC transferred certain trade and assets (relating to the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products) to the Company for consideration of £447,708,000 The transaction was funded by cash of £42,708,000, generated from an issue of shares (note 19), and intercompany loan notes totalling £405,000,000 On that date, the Company also acquired its investment in Structherm Limited for consideration of £3,626,000 The Company changed its name to Hanson Building Products Limited on 1 September 2014

On 23 December 2014, Lone Star Funds (“Lone Star”), through its wholly owned subsidiary entered into an agreement with HC to purchase the entire share capital of the Company The transaction completed and Lone Star’s wholly-owned subsidiary LSF9 Concrete, Ltd (“LSF9,” a company incorporated under the laws of the Bailiwick of Jersey) purchased indirect ownership of the Company’s shares on 13 March 2015 On the same date LSF9 Concrete UK Ltd a company also incorporated in Jersey became the immediate parent undertaking

On 7 April 2015 the Company changed its name to HBP Building Products Limited, although it continues to trade under the “Hanson Building Products” name The sale agreement above limited the Company’s right to continue trading under the “Hanson Building Products” name for a period of 1 year The business will launch its exciting new brand in the final quarter of 2015

The directors have chosen to prepare the first set of financial statements for the Company for the period 26 March 2014 to 31 December 2014 in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework (“FRS 101”)

REVIEW OF THE BUSINESS

The Company’s principal activity is the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products

The profit for the period, after taxation, amounted to £8,796,000

In 2014 the market in which the Company operates began to see improvements in the level of demand, particularly within the private house building sector, fuelled by Government lending initiatives such as “Help to Buy” and stronger build programmes from the large national housebuilders The repair maintenance and improvement market also began to show signs of improvement driven by strengthening consumer confidence although the commercial construction sector remained weak As a result of this increase in demand, the Company increased output at several production units in 2014

As at 31 December 2014, the Company formed part of the Hanson UK operating division of HC This division was managed along operational lines rather than by statutory entity and incorporated a number of statutory entities

Key performance indicators (“KPIs”) were managed at a divisional level As a result the directors have taken the decision not to disclose KPIs in individual subsidiary financial statements Management assessed divisional performance against a number of financial KPIs including turnover, profitability, sales volumes, average selling prices and market share, alongside other non-financial KPIs such as health and safety, sustainability and customer service Group performance against KPIs is disclosed in the consolidated financial statements of HC

HBP BUILDING PRODUCTS LIMITED

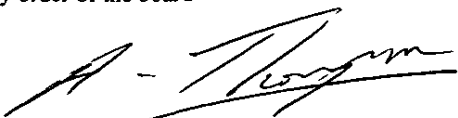
STRATEGIC REPORT

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014 (CONTINUED)

FUTURE DEVELOPMENTS

The outlook into 2015 and beyond remains bright with private housing demand predicted to continue to grow. The Company's shareholders have demonstrated commitment to the business by approving a number of expansionary capital projects which will serve to further increase both output and profitability going forward.

By order of the board

A handwritten signature in black ink, appearing to read 'A G Thompson', with a long horizontal line extending from the end of the signature.

A G Thompson
Company secretary
25 September 2015

HBP BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

The directors present their report and the audited financial statements of the Company for the period 26 March 2014 to 31 December 2014

DIVIDENDS

There was no dividend on ordinary shares recognised during the period

POLITICAL DONATIONS

The Company has made no political donations during the period

FINANCIAL RISK MANAGEMENT

The Company'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

(a) Market risk

(i) Cash flow risk and fair value risk

The Company's borrowings are a loan note due to its immediate parent undertaking (note 15) 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 Company's funding requirements and external debt markets to ensure that the Company's borrowings are appropriate to its requirements in terms of quantum, rate and duration The directors acknowledge that fixed rate debt exposes the Company 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 Company's fixed rates, it does not affect the income statement or equity

(ii) Price risk

The Company uses significant amounts of energy, including natural gas and electricity, in the manufacturing, distribution and sale of the Company's products and as such the Company is exposed to energy price risk The directors' risk strategy aims to provide protection against sudden and significant increases in prices whilst ensuring that the Company is not competitively disadvantaged in the event of a substantial fall in the price of energy To meet these objectives from time to time the Company enters into energy forward contracts available on the over-the-counter ("OTC") markets with approved counterparties and within approved limits

(iii) Market demand risk

Demand for products is predominantly from the residential sector This includes both the building of new houses as well as repairing, maintaining and improving existing houses Confidence in the housing sector is key to maintaining demand and relevant trends are monitored closely to ensure that production capacity remains in line with demand Access to finance from funding institutions is also a key factor on housing demand

HBP BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014 (CONTINUED)

(iv) Regulatory risk

The building products industry is subject to a wide range of regulatory measures, both UK and European Emissions regulations through the Environment Agency could affect some works if they cannot comply with the regulatory limits and may result in enforced closures

(b) Credit risk

Credit risk is the potential exposure of the Company to loss in the event of non-performance by a counterparty. The Company 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 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.

(c) Liquidity risk

The Company's finance team regularly monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's and Group's debt financing plans and covenant compliance. Maturity analysis is provided in note 13 for Trade and other receivables, note 14 for Trade and other payables, and note 15 for Borrowings. 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 than indicated in the maturity analysis.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the review of the business section of the strategic report.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company 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 Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

DIRECTORS

The directors who served during the year and to the date of this report were

E A Gretton (appointed 26 March 2014, resigned 12 March 2015)

D J Clarke (appointed 26 March 2014, resigned 12 March 2015)

B J Guyatt (appointed 26 March 2014)

S R Harrison (appointed 1 August 2014)

M R J Clay (appointed 1 September 2014)

P Jordanoff (appointed 1 September 2014, resigned 1 September 2015)

J Bradley (appointed 1 September 2015)

HBP BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014 (CONTINUED)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

As at 31 December 2014, a fellow group undertaking has indemnified, by means of directors' and officers' liability insurance, one or more directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the period and is in force as at the date of approving this report.

RESEARCH AND DEVELOPMENT

The Company is fully committed to research and development. It continually reviews the range of products it produces in order to meet the changing requirements of the market place. Research and development costs are written off in the year in which they are incurred.

POST BALANCE SHEET EVENTS

On 13 March 2015 Lone Star Funds ("Lone Star"), through its wholly owned subsidiary LSF9 Concrete Holdings Ltd, ("LSF9", a company incorporated under the laws of the Bailiwick of Jersey) 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 acquired the £405,000,000 loan note at this time (note 15). On 1 May 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.

EMPLOYEES

During the year the policy of providing employees with information about the Company has been achieved through newsletters, intranet and employee briefings. Regular employee forum meetings are held between management and employees to allow a free flow of information.

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy, wherever applicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion where appropriate.

BRANCHES OUTSIDE THE UK

There were no branches outside the UK during the period.

HBP BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014 (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- So far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- That director has taken all steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

AUDITOR

Ernst & Young LLP, having confirmed their willingness to act, will continue in office as auditors of the Company

By order of the board

A handwritten signature in black ink, appearing to read 'A G Thompson', with a long horizontal stroke extending to the right.

A G Thompson
Company secretary
25 September 2015

HBP BUILDING PRODUCTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HBP BUILDING PRODUCTS LIMITED

We have audited the financial statements of HBP Building Products Limited for the period 26 March 2014 to 31 December 2014, which comprise the income statement, the statement of financial position, the statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HBP BUILDING PRODUCTS LIMITED (CONTINUED)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
For and on behalf of
Ernst & Young LLP, Statutory auditor
The Paragon
Counterslip
Bristol
BS1 6BX
28 September 2015

HBP BUILDING PRODUCTS LIMITED

INCOME STATEMENT

FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014

	Note	For the period 26 March 2014 to 31 December 2014
		£000s
Revenue	4	89,656
Cost of sales		<u>(56,658)</u>
Gross profit		32,998
Distribution costs		(11,265)
Administrative expenses		(8,290)
Other operating income		<u>540</u>
Operating profit	5	13,983
Net finance expense	7	<u>(4,836)</u>
Profit before tax		9,147
Income tax	8	<u>(351)</u>
Profit for the financial period		<u><u>8,796</u></u>

The notes on pages 16 to 34 are an integral part of these financial statements

All amounts relate to continuing operations

Profit for the financial period is equivalent to total comprehensive income for the financial period and therefore a statement of other comprehensive income has not been presented

The results above represent 4 months of trading for the business acquired on 1 September 2014. The Company did not trade from 26 March 2014 to 31 August 2014.

HBP BUILDING PRODUCTS LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	As at 31 December 2014
		£000s
Assets		
Non-current assets		
Intangible assets	9	8,198
Property, plant and equipment	10	143,904
Investments	11	3,626
Deferred tax asset	17	595
		156,323
Current assets		
Inventories	12	30,365
Trade and other receivables	13	28,500
Cash and cash equivalents		20,979
		79,844
Total assets		236,167
Equity		
Ordinary shares	19	90
Share premium	19	46,536
Merger reserve	21	(289,108)
Retained earnings		8,796
Total equity		(233,686)
Liabilities		
Non-current liabilities		
Borrowings	15	405,000
Provisions for liabilities	16	12,001
		417,001
Current liabilities		
Trade and other payables	14	51,828
Provisions for liabilities	16	1,024
		52,852
Total liabilities		469,853
Total equity and liabilities		236,167

The notes on pages 16 to 34 are an integral part of these financial statements

The financial statements on pages 13 to 34 were authorised for issue by the board of directors on 25 September 2015 and were signed on its behalf by


B J Guyatt
Director

Registered number 08960430

HBP BUILDING PRODUCTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 26 MARCH 2014 TO 31 DECEMBER 2014**

	Note	Share capital £000s	Share premium £000s	Merger reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 26 March 2014		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,796</u>	<u>8,796</u>
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>-</u>	<u>8,796</u>	<u>8,796</u>
Proceeds from shares issued	19	90	46,536	-	-	46,626
Transactions with fellow group undertakings, recognised directly in equity	21	-	-	(289,108)	-	(289,108)
Balance at 31 December 2014		<u>90</u>	<u>46,536</u>	<u>(289,108)</u>	<u>8,796</u>	<u>(233,686)</u>

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

HBP Building Products Limited is a company incorporated and domiciled in the UK. The address of the registered office of the Company is Measham Works, Atherstone Road, Measham, Swadlincote, Derbyshire, DE12 7EL. The Company is the parent of Structerm Limited.

The principal activity of the Company is the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complementary building products.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), under the historical cost convention and in accordance with the Companies Act 2006. FRS 101 has been early adopted.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures',
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities),
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows',
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation),
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, and
- Paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36, 'Impairment of assets' (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts)

(b) Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions create uncertainty particularly over the level of demand for the Company's products. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company 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 Company has adequate resources to continue.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 15.

(c) Consolidation

The Company was a wholly owned subsidiary of HeidelbergCement AG ("HC") as at the reporting date of 31 December 2014. The Company is included in the consolidated financial statements of HC for the year ended 31 December 2014, which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements. Accordingly, these financial statements are entity financial statements.

(d) Merger reserve

The transfer of certain trade and assets from entities under common control with HC at 1 September 2014 has been accounted for as a capital reorganisation. As part of this capital reorganisation, the Company incorporated the transferred assets and liabilities at their pre-combination carrying amounts, without any fair value uplift. The pre-combination book values were the carrying values in the books of the existing entity, as opposed to those from the highest level of common control, on the basis that there has been no substantive economic change. No new goodwill was recorded. Any difference between the cost of the transaction and the carrying value of the net assets was recorded in the merger reserve within equity in the statement of financial position.

(e) Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company's presentation currency is pounds sterling.

(ii) Transactions and balances

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 income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within net finance expense. All other foreign exchange gains and losses are presented in the income statement within other operating income.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or deemed cost less accumulated depreciation and impairment losses. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to 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 reporting 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within other operating income.

Borrowing costs are not directly attributable to the acquisition, construction or production of qualifying assets (which are assets that necessarily take a substantial period of time to get ready for their intended use or sale) and therefore are recognised as an expense in the income statement in the period in which they are incurred.

(g) Intangible assets

(i) Clay rights, merchant relationships and other intangible assets

Intangible assets with finite lives consist of clay rights, merchant relationships 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 to 30 years
- Merchant relationships – 8 to 10 years
- Other intangible assets – 10 to 20 years

(ii) Brand names

Intangible assets with indefinite useful lives consist of brand names. Brand names are classified as an indefinite life intangible asset due to the longevity of the brand and management's judgement that there is not a time limit on when benefit will be gained from the brand. 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) Carbon emissions

The Company participates in the European Union Emission Trading Scheme ("EU ETS"), which aims to reduce greenhouse gas emissions. The Company's participation in EU ETS, in which it has been allocated allowances for no consideration to emit a fixed tonnage of carbon dioxide in a fixed period of time, gives rise to intangible assets which are initially measured at a nominal value of zero. Emission rights subsequently acquired for consideration are accounted for at cost and are subject to write down in the event of impairment.

Provisions for the obligation to surrender emission rights are recognised if the actual carbon dioxide emissions up to the reporting sheet date are not covered by emission rights granted free of charge. The amount of provision for emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the market value as at the reporting sheet date. There is no amortisation of emission rights intangibles, since a full provision in respect of the asset is held from inception.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

(h) 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 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.

(i) Financial assets

(i) Classification

The Company 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, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

(iii) Impairment of financial assets

For 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 Company 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 income statement. 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 Company 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.

(j) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined based on the weighted average principle. Cost represents expenses incurred in bringing each product to its present location and condition. Cost excludes borrowing costs. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred on completion and disposal. The Company applies an inventory provision for damaged, obsolete, excess and slow-moving inventory.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company participates 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 meets the criteria for derecognition of financial assets under IAS 39. Accordingly, the receivables sold are removed from the statement of financial position and any cash collected on sold receivables that has not been passed onto the banking institutions is shown as liabilities under asset backed securities (note 14).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are presented in current liabilities.

(m) Share capital

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

(n) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, borrowings are carried at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(p) Provisions

Provisions are recognised in the statement of financial position when the Company 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, 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, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs. Provisions are not made for future operating losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

(i) Asset retirement obligations

The Company incurs asset retirement obligations related to the removal of infrastructure and the restoration of clay quarries as part of its production processes. Provision is made for the asset retirement obligations based on the Company's best estimate of the likely committed cash outflow. Where relevant, these estimated outflows are discounted to net present value. The Company also recognises an asset for these anticipated costs which are depreciated over the remaining life of the infrastructure or applicable clay reserves.

(ii) Emission credits

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 return emission rights are recognised if the actual carbon dioxide emissions up to the reporting date are not covered by emission rights granted free of charge. The amount of the provision for carbon emission rights already acquired for consideration is measured at the carrying amount and, for emission rights yet to be acquired in order to fulfil the obligation, at the fair value as at the reporting date.

(q) Current and deferred income tax

Income tax for the periods presented comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting 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 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 reporting 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

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

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company 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 bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(s) Employee benefits

The Company operates a defined contribution plan. During the period the Company paid contributions into a trust based scheme operated for the benefit of the HeidelbergCement AG Group's UK employees. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(t) 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 income statement 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 income statement over the lease term. The Company has no finance leases.

(u) Net finance income/expense

(i) Finance expense

Finance expense comprises interest payable on borrowings, direct issue costs and foreign exchange losses.

(ii) Finance income

Finance income comprises interest receivable on funds invested and foreign exchange gains. Finance income is recognised in the income statement as it accrues using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(w) Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

(x) New standards, amendments and interpretations

(i) Standards, amendments and interpretations effective and adopted by the Company:

Since this is the Company's first set of financial statements, this is the first time that the Company has adopted all of the standards in the financial statements. By nature of it being the Company's first set of financial statements, there have been no changes in accounting policy and disclosures in the period.

(ii) Standards, amendments and interpretations which are not effective or early adopted by the Company:

A number of new standards and amendments to standards and interpretations have been released but are not effective and have not been early adopted by the Company. None of these is expected to have a significant effect on the entity financial statements, except the following set out below:

- **IFRS 15 'Revenue from contracts with customers'** (effective 1 January 2018) 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) 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.

The impact of these standards is currently being assessed. There are no other IFRSs or IFRIC interpretations that would be expected to have a material impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of property, plant and equipment

Where there is evidence of diminution in value, the Company 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, 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

Where there is evidence of diminution in value, the Company reviews an item of intangible assets, in particular brand names, 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, 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.

In particular, the Company 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.

(c) Taxation

Accruals for current tax and amounts payable under local indirect taxes such as sales taxes and VAT are based on management's interpretation of country-specific tax law, and require judgements about the likelihood that tax positions taken will be sustained. Management estimates the amount of taxes payable based upon their analysis and determines whether provision should be made for potential settlement of disputed positions through negotiation. All such provisions are included in current liabilities. Any estimated exposure to interest on tax liabilities is provided for in the related tax charge.

Deferred tax arises where the treatment of an amount for taxation differs from its treatment in the financial statements of the Company. Where deductions and losses for taxation in a period may be carried forward, management must assess in deciding whether to recognise a deferred tax asset the likelihood of future profits sufficient to utilise those amounts to be carried forward.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 REVENUE

The revenue recognised in the income statement is all attributable to the principal activity of the manufacture and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products

Substantially all revenue recognised in the income statement arose within the United Kingdom

5. OPERATING PROFIT

Operating profit is stated after charging

	For the period 26 March 2014 to 31 December 2014
	£000s
Wages and salaries	17,488
Social security costs	1,694
Other pension costs	1,551
Total staff costs	20,733
(Profit)/loss on disposal of property, plant and equipment (included in 'other operating income')	30
Impairment of trade receivables (included in 'administrative expenses')	947
Impairment of inventory	59
Inventory recognised as an expense	54,985
Operating lease charges	1,145
Audit fees payable to the Company's auditor	25

Inventory recognised as an expense includes staff costs of £15,546,000

Further fees for audit and non-audit services provided to the Company have been borne by other group undertakings. It is not practicable to ascertain what proportion of such fees relates to the Company

6. EMPLOYEES AND DIRECTORS

(a) Employees

There were no persons (including executive directors) employed by the Company in the period from 26 March 2014 to 31 August 2014

The average monthly number of persons (including executive directors) employed by the Company from 1 September 2014 to 31 December 2014 is in the table below

HBP BUILDING PRODUCTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	For the period 1 September 2014 to 31 December 2014
By activity:	No.
Administration	117
Production and distribution	1,321
	1,438

(b) Directors

The emoluments of D J Clarke, E A Gretton and P Jordanoff were borne by other group entities for the whole period, 26 March 2014 to 31 December 2014. The emoluments for all other directors were borne by other group entities for part of the period, 26 March 2014 to 31 August 2014.

The directors' emoluments for the period 1 September 2014 to 31 December 2014 were as follows

	£000s
Total amount of emoluments and amounts (excluding shares) receivable under long- term incentive schemes	126
Company pension contributions to the defined contribution pension scheme	25
	151

The highest paid director's emoluments for the period 1 September 2014 to 31 December 2014 were as follows

	£000s
Total amount of emoluments and amounts (excluding shares) receivable under long- term incentive schemes	51
Company pension contributions to the defined contribution pension scheme	13
	64

HBP BUILDING PRODUCTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****7. NET FINANCE EXPENSE**

	For the period 26 March 2014 to 31 December 2014
	£000s
Interest income on bank deposits	9
Interest expense on borrowings	(4,137)
Provisions Unwinding of discount	(708)
Net finance expense	(4,836)

8 INCOME TAX EXPENSE

Income tax expense included in the income statement:

	For the period 26 March 2014 to 31 December 2014
	£000s
Current tax:	
- UK corporation tax on profits for the period	-
Total current tax	-
Deferred tax:	
- Origination and reversal of timing differences	369
- Impact of change in tax rate	(18)
Total deferred tax	351
Income tax expense	351

Tax expense for the period is lower than the standard rate of corporation tax in the UK for the period 26 March 2014 to 31 December 2014 of 21%. The differences are explained below

	For the period 26 March 2014 to 31 December 2014
	£000s
Profit on ordinary activities before tax	9,147
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 21%	1,921
Effects of	
- Expenses not deductible for tax purposes	159
- Non deductible movement on provisions	222
- Income not subject to tax	-
Group relief received without charge	(1,933)
Change in tax rate	(18)
Income tax expense	351

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The UK corporation tax rate decreased from 23% to 21% on 1 April 2014. Further reductions to the UK corporation rate were substantively enacted as part of the Finance Bill 2014 on 17 July 2014. These reduce the main rate to 20% from 1 April 2015. The deferred tax assets and liabilities reflect the reduction in the rate.

9. INTANGIBLE ASSETS

(a) Cost, accumulated amortisation and net book amount

	Clay rights	Merchant relationships	Brand names	Emission credits	Other	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost						
- As at 26 March 2014	-	-	-	-	-	-
- Transfer of assets at 1 September 2014	339	809	6,000	281	559	7,988
- Additions	-	-	-	594	-	594
- Disposals	-	-	-	(283)	-	(283)
As at 31 December 2014	339	809	6,000	592	559	8,299
Accumulated amortisation						
- As at 26 March 2014	-	-	-	-	-	-
- Amortisation	(6)	(50)	-	-	(45)	(101)
As at 31 December 2014	(6)	(50)	-	-	(45)	(101)
Net book amount						
- As at 26 March 2014	-	-	-	-	-	-
- Movement during the period	333	759	6,000	592	514	8,198
As at 31 December 2014	333	759	6,000	592	514	8,198

Amortisation charges for clay rights are treated as cost of sales in the income statement. Amortisation charges for all other intangible assets are treated as an administrative expense in the income statement.

There are no intangible assets held as security.

(b) Impairment review of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives consist of brand names. Impairment testing is carried out at the cash generating unit ("CGU") level on an annual basis. The Company estimates the recoverable amount of a CGU using a value in use model. The following is a summary of the CGU that brand names is allocated to.

	As at 31 December 2014 £000s
Brand names:	
CGU - ThermoHite	6,000

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assumptions used as part of impairment testing are summarised below

	As at 31 December 2014
	%
Pre-tax discount rate	9.65
Terminal growth rate	1.99

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plants and machinery	Construction in progress	Total
	£000s	£000s	£000s	£000s
Cost				
- As at 26 March 2014	-	-	-	-
- Transfer of assets at 1 September 2014	80,761	62,281	152	143,194
- Additions	696	3,742	-	4,438
- Disposals	-	(2,169)	-	(2,169)
- Transfer between asset categories	-	152	(152)	-
As at 31 December 2014	81,457	64,006	-	145,463
Accumulated depreciation				
- As at 26 March 2014	-	-	-	-
- Depreciation	(659)	(2,451)	-	(3,110)
- Disposals	-	1,551	-	1,551
As at 31 December 2014	(659)	(900)	-	(1,559)
Net book amount				
- As at 26 March 2014	-	-	-	-
- Movement during the period	80,798	63,106	-	143,904
As at 31 December 2014	80,798	63,106	-	143,904

As at 31 December 2014, there was no property, plant and equipment held as security. Property, plant and equipment was recognised at the net book amount at the date of transfer to the Company on 1 September 2014, as opposed to fair value.

11. INVESTMENTS

The Company substantially owns directly 100% of the issued and fully paid ordinary share capital of its subsidiary undertaking Structerm Limited, a company incorporated in the UK. Structerm Limited's business is the manufacture and sale of structural insulated panels. During the period, no dividends were received from Structerm Limited. There are no restrictions on the Company's ability to access or use the assets and settle the liabilities of the Company's subsidiary.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVENTORIES

	As at 31 December 2014
	£000s
Raw materials and consumables	2,995
Work in progress	2,733
Finished goods	24,637
Total inventories	30,365

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

13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2014
	£000s
Trade receivables	17,644
Amounts owed by group undertakings	7,830
Other receivables	1,101
Prepayments and accrued income	1,925
Total trade and other receivables	28,500

There are no trade receivables that fall due after more than one year. Trade receivables are stated after provisions for impairment of £947,000. Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The outstanding balance of receivables sold to banking institutions under asset backed security arrangements and not yet collected was £9,357,000.

14. TRADE AND OTHER PAYABLES

	As at 31 December 2014
	£000s
Trade payables	10,581
Amounts owed to group undertakings	10,825
Other taxation and social security payable	770
Liabilities under asset backed securities	3,696
Accruals and other payables	25,956
Total trade and other payables	51,828

There are no trade payables that fall due after more than one year.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Liabilities under asset backed securities relate to cash collected under asset backed security arrangements that have not yet been returned to the banks and therefore are shown as a payable as at 31 December 2014

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

15. BORROWINGS

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 Funds ("Lone Star"), 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 acquired 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 May 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.

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.

16. PROVISIONS FOR LIABILITIES

	Asset retirement obligation	Other	Total
	£000s	£000s	£000s
At 26 March 2014	-	-	-
Charged/(credited) to the income statement			
- Transfer of assets at 1 September 2014	8,986	2,581	11,567
- Additional provisions	557	1,537	2,094
- Utilised amounts	(175)	(369)	(544)
- Unused amounts reversed	(49)	(751)	(800)
- Discounted adjustments	708	-	708
At 31 December 2014	10,027	2,998	13,025

(a) Asset retirement obligation ("ARO")

The Company 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.

(b) Other

Other provisions are made up of carbon emissions, defective materials, dilapidation and restructuring provisions. The defective materials provision is expected to be utilised in a period over one year. All other provisions are

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

expected to be utilised within 1 year. The total of provisions that are expected to be utilised within 1 year is £1,024,000 and this total has been disclosed within the current provisions section of the statement of financial position.

17. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December 2014 £000s
Deferred tax assets	
- Deferred tax assets to be recovered after more than 12 months	(2,052)
- Deferred tax assets to be recovered within 12 months	-
	<u>(2,052)</u>
Deferred tax liabilities	
- Deferred tax liabilities to be recovered after more than 12 months	1,457
- Deferred tax liabilities to be recovered within 12 months	-
	<u>1,457</u>
Total deferred tax assets	<u>(595)</u>

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

	Provisions £000s	Decelerated capital allowances £000s	Total £000s
Deferred tax assets:			
At 26 March 2014	-	-	-
Transferred in	(1,309)	(1,111)	(2,420)
Charged / (credited) to the income statement	(154)	522	368
At 31 December 2014	<u>(1,463)</u>	<u>(589)</u>	<u>(2,052)</u>

	Intangibles £000s	Other £000s	Total £000s
Deferred tax liabilities:			
At 26 March 2014	-	-	-
Transferred in	1,474	-	1,474
Charged / (credited) to the income statement	(17)	-	(17)
At 31 December 2014	<u>1,457</u>	<u>-</u>	<u>1,457</u>

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

There are no unused tax losses or unused tax credits

18 POST EMPLOYMENT BENEFITS

The expense in relation to the defined contribution scheme was £1,551,000

19. SHARE CAPITAL AND SHARE PREMIUM

Called up share capital consists of 89,627 ordinary shares of £1 each. Each ordinary share has 1 vote attaching

On 26 March 2014, 1 ordinary share of nominal value £1 was issued for £1. On 20 August 2014, 3,626 ordinary shares of nominal value £1 were issued for £1,000 each (total £3,626,000). On 1 September 2014, 86,000 ordinary shares of nominal value £1 were issued for £500 each (total £43,000,000). The issue of ordinary shares during the period gave rise to share premium of £46,536,000.

	As at	
	31 December 2014	
	£000s	
	Ordinary shares	Share premium
Allotted, called up and fully paid		
At 26 March 2014	-	-
Issued during the period	90	46,536
At 31 December 2014	90	46,536

20. DIVIDENDS

No dividends have been paid or declared in the period

21. MERGER RESERVE

On 1 September 2014, HC transferred certain trade and assets relating to the production and sale of bricks, both dense and lightweight blocks, precast concrete, concrete paving and other complimentary building products, from subsidiary undertakings to the Company for consideration of £447,708,000. The difference between the consideration and the net assets acquired is reflected in the merger reserve.

HBP BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. CAPITAL AND OTHER COMMITMENTS

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

	As at 31 December 2014 £000s
Land and buildings	
Within one year	461
Between one and five years	1,409
After five years	2,902
	<u>4,772</u>
Other	
Within one year	3,900
Between one and five years	13,929
After five years	2,056
	<u>19,885</u>
	<u>24,657</u>

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

	As at 31 December 2014
Property, plant and equipment	850
Total	<u>850</u>

The Company has no contingent liabilities and no contingent assets

23. CONTROLLING PARTIES

As at 31 December 2014, the Company's immediate parent undertaking was Structerm Holdings Limited, a company registered in England and Wales, and the Company's ultimate parent undertaking was HeidelbergCement AG, a company registered in Germany. The largest and smallest group in which the results of the Company are consolidated is that headed by HeidelbergCement AG. Copies of the consolidated financial statements of HeidelbergCement AG may be obtained from Berliner Strasse 6, D-69120 Heidelberg, Germany.

24. POST BALANCE SHEET EVENTS

On 13 March 2015 Lone Star Funds ("Lone Star"), through its wholly owned subsidiary LSF9 Concrete Holdings Ltd, ("LSF9", a company incorporated under the laws of the Bailiwick of Jersey) 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 acquired the £405,000,000 loan note at this time (note 15). On 1 May 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.