

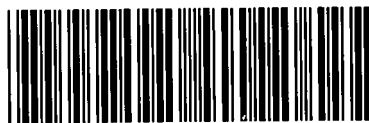
REGISTERED COMPANY NUMBER: 08960430

FORTERRA BUILDING PRODUCTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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29/06/2018
COMPANIES HOUSE

FORTERRA BUILDING PRODUCTS LIMITED

COMPANY DIRECTORS

M R J Clay (resigned 31 May 2018)
S D Dasani
M E Day (appointed 12 March 2018)
B J Guyatt
S R Harrison
E T Haslam (appointed 25 April 2017)
D P Rix (appointed 26 July 2017)
A J Smith
G W A Stewart

COMPANY SECRETARY

A G Thompson

COMPANY REGISTERED NUMBER

08960430

COMPANY REGISTERED OFFICE

5 Grange Park Court
Roman Way
Northampton
NN4 5EA

INDEPENDENT AUDITOR

Ernst & Young LLP
1 More Place
London
SE1 2AF

FORTERRA BUILDING PRODUCTS LIMITED

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FORTERRA BUILDING PRODUCTS LIMITED

STRATEGIC REPORT

The Directors present their strategic report for Forterra Building Products Limited for the year ended 31 December 2017.

GENERAL INFORMATION

Forterra Building Products Limited (the Company) is 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 immediate subsidiary of Forterra Holdings Limited which in turn is the subsidiary of Forterra plc. Together these companies comprise the Forterra Group.

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

REVIEW OF THE BUSINESS

The following metrics are viewed by the Directors when assessing performance and position, and are therefore the company's key performance indicators (KPIs).

The profit for the year, after taxation, amounted to £47.2 million, an increase of £19.8 million or 72.3%, from 2016.

Revenue increased by £38.0 million or 13.0%, to £331.0 million in 2017. This growth was driven by a strong performance from the new build residential market and the acquisition of the trade and certain assets of Bison Manufacturing Ltd.

Cost of sales increased by £22.6 million or 13.0%, to £196.8 million in 2017. This includes an increase of £4.0 million to 2016 cost of sales as a result of a voluntary change in classification of expenses in 2017 to align internal and external financial reporting. The impact of this is a decrease in the 2016 gross margin of 1.4%. Taking this into account, the increase is largely in line with the increase in revenue in the period.

Distribution costs increased by £5.5 million or 12.7%, to £48.7 million in 2017, in line with increased sales volumes.

Administrative expenses decreased by £4.8 million or 18.2%, to £21.6 million in 2017. The decrease was primarily due to high exceptional costs in 2016, relating to the listing of the Group on the London Stock Exchange and separation of the Company from Forterra Inc. Further information is detailed in note 7 to the financial statements. This decrease is stated after decreasing 2016 administrative expenses by £4.8 million as a result of a voluntary change in classification of expenses in 2017 to align internal and external financial reporting.

Other operating income decreased by £1.9 million to £0.3 million in 2017, primarily as a result of an indemnity payment received from HeidelbergCement in 2016 which is detailed within note 5 to the financial statements.

Net finance expense decreased by £9.2 million or 63.9%, to £5.2 million in 2017. This decrease was due to the refinancing undertaken by the Company in July 2017 and higher finance expenses in the period before the Group listed on the London Stock Exchange.

The Company has significantly reduced its net debt in the period from £92.3 million to £60.8 million in 2017, a reduction of £31.5 million or 34.1% on the prior year. This takes into account the £20 million acquisition of Bison in the year. This decrease was mainly driven by strong operating cash flows and the refinancing of the Company's borrowing facilities in the period.

Forterra is committed to the highest safety standards for all employees, sub-contractors and visitors to our facilities. The activities being undertaken in this area are described in detail in the Annual Report of the parent company. Our progress on health and safety during the year was overshadowed by a serious accident suffered by one of our employees at a brick manufacturing facility, which is subject to an ongoing investigation. We will report on the outcome and the actions implemented to reinforce safety processes, training and awareness once this has concluded.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors' for the Company's ultimate parent, Forterra plc, has established both audit and risk committees that meet regularly and work closely together to ensure that there is sufficient focus on procedure, the internal control environment and risk management with the Forterra group. This provides independent assurance that activities are appropriate and effective.

FORTERRA BUILDING PRODUCTS LIMITED

STRATEGIC REPORT (CONTINUED)

The principal risks facing the Company can be categorised at a high level as market and non-market (not listed in order of priority).

Market risks include risks presented by changing economic conditions, competition, the impact of government policy on demand, threats to the strength of the Company's relationships and reputation.

Non-market risks include risks which potentially threaten the Company's ability to operate, such as, availability of raw materials, IT failure, business disruption, quality, environment and health and safety.

By order of the board

A handwritten signature in black ink, appearing to read 'A. Thompson', with a horizontal line drawn underneath it.

A G Thompson
Company secretary

Date:

14/06/18

FORTERRA BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

DIVIDENDS

A total dividend of £13.8 million (2016: £4.0 million) was paid to the Company's parent undertaking, Forterra Holdings Limited in the period.

POLITICAL DONATIONS

The Company made no political donations during the period.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks (including movements in foreign currency and interest rates), credit risk and liquidity risk. The Company uses derivative financial instruments to manage certain risks. The risk management framework governing the management of these and all other business risks is set by the Board of the ultimate parent company, Forterra plc. The Company's financial instruments are set out within note 17 of the financial statements.

Foreign exchange risk

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

Interest rate risk

The Company has secured its borrowings from a group of leading banks under a revolving credit facility. This facility allows the Company to meet short, medium and long-term financing requirements at a margin over LIBOR. The Company manages interest rate risk on an ongoing basis and reviews options available to hedge part of the variable rate risk.

Credit risk

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

Liquidity risk

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

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, its financial position and approach to financial risk management are set out in the Strategic report and this Directors 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 at least one year from the date that the financial statements are signed. The Company therefore adopts the going concern basis in preparing its financial statements.

FORTERRA BUILDING PRODUCTS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

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

M R J Clay (resigned 31 May 2018)
S D Dasani
B J Guyatt
S R Harrison
E T Haslam (appointed 25 April 2017)
D P Rix (appointed 26 July 2017)
A J Smith
G W A Stewart

DIRECTORS INDEMNITIES

Qualifying third party indemnity provisions for the benefit of its Directors are in place under which the Company has agreed to indemnify the Directors' to the extent permitted by law and by the Articles, against all liability arising in respect of any act or omission in the course of performing their duties.

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 costs are expensed in the year in which they are incurred. Development costs are capitalised in line with IFRS requirements where the recognition criteria have been met.

FUTURE DEVELOPMENTS

2018 has started well, building on the momentum seen in 2017. The Company continues to see strong activity levels from the major housebuilders and positive indications from these customers. As anticipated, price increases for the year were agreed with most customers in order to cover the increases in the cost base.

Based on the order book and current levels of activity, the outlook for the year is in line with our expectations.

POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet date that would merit separate disclosure.

EMPLOYEES

Employees are provided with information about the Company 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 UNITED KINGDOM

There were no branches outside the United Kingdom during the period.

DISCLOSURE OF INFORMATION TO AUDITORS

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

FORTERRA BUILDING PRODUCTS LIMITED

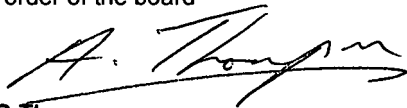
DIRECTORS' REPORT (CONTINUED)

- 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 G Thompson
Company secretary

Date: 14/06/18

DIRECTORS' RESPONSIBILITIES STATEMENT

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 its profit or loss for the 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 IFRSs as adopted by the European Union and 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 FORTERRA BUILDING PRODUCTS LIMITED

OPINION

We have audited the financial statements of Forterra Building Products Limited for the year ended 31 December 2017 which comprise Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year 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.

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

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

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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 the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

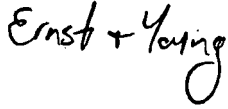
A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

USE OF OUR REPORT

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

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 June 2018

FORTERRA BUILDING PRODUCTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Revenue		331.0	293.0
Cost of sales		(196.8)	(174.2)
Gross profit		134.2	118.8
Distribution costs		(48.7)	(43.2)
Administrative expenses		(21.6)	(26.4)
Other operating income	5	0.3	2.2
Operating profit	4	64.2	51.4
EBITDA before exceptional items		75.1	70.8
Exceptional items	7	-	(9.0)
Depreciation and amortisation	11,12	(10.9)	(10.4)
Operating profit		64.2	51.4
Finance expense before exceptional items		(3.4)	(14.4)
Exceptional finance items	7	(1.8)	-
Net finance expense	9	(5.2)	(14.4)
Profit before tax		59.0	37.0
Income tax expense	10	(11.8)	(9.6)
Profit for the year attributable to equity shareholders of the parent		47.2	27.4
Total comprehensive income for the year attributable to equity shareholders of the parent		47.2	27.4

Note: The classification of expenses within the income statement has been revised in 2017 and restated in 2016 to better align internal and external financial reporting (see note 2).

FORTERRA BUILDING PRODUCTS LIMITED

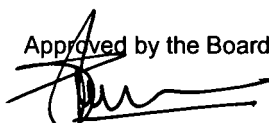
BALANCE SHEET At 31 December 2017

	Note	2017 £m	2016 £m (restated*)
Assets			
Fixed assets			
Property, plant and equipment	11	165.2	147.2
Intangible assets	12	9.8	7.7
Deferred tax assets	19	-	0.4
		175.0	155.3
Current assets			
Inventories	13	36.3	39.0
Trade and other receivables	14	33.0	36.9
Cash and cash equivalents		29.0	56.2
		98.3	132.1
Creditors: amounts falling due within one year			
Trade and other payables	15	(61.4)	(57.5)
Income tax liabilities		(5.9)	(3.8)
Loans and borrowings	16	(0.4)	(10.7)
Provisions for other liabilities and charges	18	(7.9)	(5.7)
		(75.6)	(77.7)
Net current assets/(liabilities)		22.7	54.4
Total assets less current liabilities		197.7	209.7
Creditors: amounts falling due after more than one year			
Loans and borrowings	16	(89.4)	(137.8)
Provisions for other liabilities and charges	18	(9.1)	(8.7)
Deferred tax liabilities		(0.9)	-
		(99.4)	(146.5)
Net assets/(liabilities)		98.3	63.2
Capital and reserves attributable to equity shareholders of the parent			
Share capital	20	0.1	0.1
Share premium	20	46.5	46.5
Merger reserve	22	(290.3)	(290.3)
Capital contribution reserve	23	258.1	256.4
Retained earnings		83.9	50.5
Total equity		98.3	63.2

*2016 Restatement: All provisions for other liabilities and charges were previously classified as amounts falling due after more than one year. This classification has subsequently been restated to reflect those provisions that are expected to fall due within one year.

The notes on pages 14 to 32 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 14 June 2018 and signed on their behalf by:



S D Dasani
Director

FORTERRA BUILDING PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2017

	Note	Share capital	Share premium	Merger reserve	Capital contribution reserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
Balance at 1 January 2016		0.1	46.5	(290.3)		27.1	(216.6)
Profit for the year		-	-	-	-	27.4	27.4
Total comprehensive income for the year		-	-	-	-	27.4	27.4
Dividends paid		-	-	-	-	(4.0)	(4.0)
Ultimate parent company loan forgiven		-	-	-	256.0	-	256.0
Share-based payments		-	-	-	0.4	-	0.4
Dividends		-	-	-	-	-	-
Balance at 31 December 2016		0.1	46.5	(290.3)	256.4	50.5	63.2
Profit for the year		-	-	-	-	47.2	47.2
Total comprehensive income for the year		-	-	-	-	47.2	47.2
Dividends paid	21	-	-	-	-	(13.8)	(13.8)
Share-based payments		-	-	-	1.2	-	1.2
Tax on share-based payments		-	-	-	0.5	-	0.5
Balance at 31 December 2017		0.1	46.5	(290.3)	258.1	83.9	98.3

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Forterra Building Products Limited (the Company) is incorporated and domiciled in the UK. The Company's address is 5 Grange Park Court, Roman Way, Northampton, NN4 5EA.

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.

The principal accounting policies are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2. Summary of significant accounting policies

(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.

The Company's ultimate parent undertaking, Forterra plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Forterra plc are prepared in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise 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.

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

The above restatement does not have any impact on the balance sheet at 1 January 2016 and 31 December 2016.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101 since equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated:

- 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);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraphs 17 and 18(a) of IAS 24, 'Key management compensation';

NOTES TO THE FINANCIAL STATEMENTS

- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- 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); and
- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payments; the entity is a subsidiary where the share-based payment arrangement concerns equity instruments of another group and equivalent disclosures are included in the consolidated financial statements of the group.

These financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest hundred thousand, unless otherwise indicated.

(b) Going Concern

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 at least one year from the date that the financial statements are signed. The Company therefore adopts the going concern basis in preparing its financial statements.

(c) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, or from the translation of monetary assets and liabilities denominated in foreign currencies at period end, are recognised in the statement of comprehensive income.

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

(d) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for goods supplied, net of rebates, discounts, returns and value added taxes. The Company recognises revenue as follows:

Bricks and Blocks - When the goods have been delivered and the risks and rewards have passed to the purchaser.

Bespoke Products - When the goods have been delivered for supply and deliver contracts and when goods are delivered and installed for supply and fit contracts.

Bill and hold arrangements - When the inventory has been produced the purchaser accepts title and the contract vests.

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

Substantially all revenue recognised in the statement of comprehensive income arose from the sale of goods within the United Kingdom.

(e) Exceptional costs

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

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset, costs attributable to bringing the asset to working condition for intended

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

use, the initial estimate of any decommissioning obligation and associated changes to those estimates. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate assets.

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

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

Land and construction in progress are not depreciated. For the other categories of property, plant and equipment, depreciation is charged to the statement of comprehensive income on a straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

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

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

Repairs and maintenance expenses do not meet the recognition criteria and are recognised as an expense in the statement of comprehensive income.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of businesses, trade and assets where consideration paid exceeds the fair value at the acquisition date.

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

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

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

These intangible assets have finite lives and are carried at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of these intangible assets over their estimated useful lives of 5 to 30 years. Amortisation of clay rights is treated as cost of sales. Amortisation of all other intangible assets is treated as administrative expenses.

(iii) Brand names

The Thermalite brand is classified as an indefinite life intangible asset because of the longevity of the brand and the benefit is expected throughout the foreseeable future.

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.

(h) Financial instruments

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

(i) Trade and other receivables (excluding prepayments)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

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

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

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

(iv) Loans and borrowings

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

(v) Derivative financial instruments

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any costs expected to be incurred in production and sale. The Company applies an inventory provision for damaged, obsolete, excess and slow-moving inventory. Raw materials are measured at the weighted average cost. This method perpetually applies a cost weighting to obtain an average cost of purchased inventory and inventory on hand in proportion to quantity. Finished goods are measured at standard cost. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

(j) Provisions

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

Provisions for rebates are included in accrued liabilities and other payables.

Provisions are not made for future operating losses.

(k) 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.

(l) Operating leases

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

(m) Net finance expense

(i) Finance expense

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

(ii) Finance income

Finance income comprises interest receivable on funds invested.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. ACCOUNTING POLICIES (CONTINUED)

(n) Income and deferred taxes

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of comprehensive income. Deferred 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.

(o) Employee benefits

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in conformity with FRS 101 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 financial statements.

(a) ACCOUNTING ESTIMATES

(i) Accounting for acquisitions

The acquisition of trade and certain assets of Bison Manufacturing Limited has been accounted for as a business combination under the purchase method from the date that control passes. Under the purchase method the identifiable assets, liabilities and contingent liabilities assumed have been measured at their acquisition date fair values. Management have engaged third party experts to estimate the fair values of assets and liabilities acquired on the date of acquisition.

(ii) Provisions

Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform necessary remediation work at the reporting date. The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Estimates of appropriate inflation and discount rates can also be judgemental, and can have a significant impact on net present value, management reference information from the Bank of England when making such estimates.

Provisions for product liability or other legal claims, restructuring, and carbon emissions obligations are all made based on the best estimate of the likely committed cash outflow, using relevant information available at the reporting date.

Management engage third party valuation experts, as appropriate, when material and complex estimates are required.

The selection of appropriate long-term inflation and discount rates could have a material impact on the financial statements, particularly as net present value calculations span a longer-time period. Management do not engage third party experts to estimate these rates as historic and forecast information has shown that the two rates often move in tandem and therefore do not cause a material net impact. If the rates did not move in tandem and the spread between them increased by 0.5% the value of provisions could change by c.£0.8m.

(b) ACCOUNTING JUDGEMENTS

(i) Inventory valuation and provisioning

Inventory carrying value is stated after recognising inventory provisions. The calculation of provisions for the potential inventory obsolescence requires a degree of commercial judgement when determining saleability and price of certain finished goods.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(ii) Refinancing of borrowing facilities arranged at IPO

The Company refinanced during the year and put in place new borrowing facilities in place of those agreed at the time of the IPO. Term loans were settled and the amount available under the revolving credit facility and its duration were increased whilst the syndicate of seven banks saw three members depart and one new lender join. Management have judged that the IPO facilities and their replacements are sufficiently different in qualitative and quantitative terms for the borrowings to be treated as extinguished and re-arranged rather than modified. As a result the borrowing costs capitalised at IPO have been written-off in full.

(iii) Exceptional items

Exceptional items are disclosed separately in the financial statements where management believes it is necessary to do so to better understand the underlying financial performance of the Company. Management consider the nature, size and incidence of items when judging what should be disclosed separately. The costs associated with the IPO of the Company's ultimate parent undertaking, Forterra plc, separation from HeidelbergCement AG and subsequently Forterra Inc, the write-off of finance costs capitalised at IPO and costs incurred when acquiring and disposing of interests if material are all considered to be exceptional by management.

(iv) EBITDA before exceptional items

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

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. OPERATING PROFIT

Profit from operations is stated after charging:

	2017	2016
	£m	£m
Depreciation and amortisation	10.9	10.4
Operating lease expense	6.8	6.7

5. OTHER OPERATING INCOME

	2017	2016
	£m	£m
Profit on disposal of property, plant and equipment	0.3	0.2
Other income	-	0.6
Indemnity payment received	-	1.6
Loss on disposal of subsidiary	-	(0.2)
	<u>0.3</u>	<u>2.2</u>

6. AUDITOR'S REMUNERATION

The Company paid the following amounts to its auditors in respect of the audit of the financial statements.

	2017	2016
	£m	£m
Audit of the financial statements	<u>0.2</u>	<u>0.2</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its ultimate parent Forterra plc.

7. EXCEPTIONAL ITEMS

	2017	2016
	£m	£m
<i>Exceptional administrative expenses:</i>		
Transaction costs	-	(9.1)
Separation costs	-	(1.3)
<i>Exceptional other operating income/(expenses):</i>		
Loss on disposal of subsidiary	-	(0.2)
Indemnity payment received	-	1.6
<i>Exceptional finance expenses:</i>		
IPO capitalised financing costs written off	(1.8)	-
	<u>(1.8)</u>	<u>(9.0)</u>

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

Transaction costs in 2016 relate to the IPO completed in April 2016 and associated non-recurring professional fees. Separation costs relate to the separation from Forterra Inc in 2016 and included rebranding, new office fit out costs, set up of standalone IT operations and staff recruitment.

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

8. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Company during the year

	2017	2016
	£m	£m
Wages and salaries	66.6	59.9
Pension costs	5.3	5.0
Social security costs	6.4	5.6
Share-based payments	1.1	0.4
	79.4	70.9

(b) Average number of employees

The average monthly number of persons (including Directors) employed by the Company in the year is set out in the table below:

	2017	2016
Administration	201	177
Production and distribution	1,462	1,401
	1,663	1,578

The increase in number of employees is primarily due to the Bison acquisition.

The classification of employees above has been re-presented for 2016 to align roles with the current structure and operation of the business. The total has also been restated.

(c) Directors

The Directors' emoluments in the year were as follows:

	2017	2016
	£m	£m
Emoluments (excluding pension contributions)	1.2	1.7
Company pension contributions	0.1	0.1
	1.2	1.8

The highest paid Director's emoluments in the year were as follows:

	2017	2016
	£m	£m
Emoluments (excluding pension contributions)	0.3	0.5
Company pension contributions	-	-
	0.3	0.5

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Emoluments above relate to payments made by Forterra Building Products Limited to the Directors of the Company. Included within operating expenses is a recharge from Forterra plc for administration costs including directors' emoluments and other corporate overheads. The total emoluments for the Directors' of Forterra plc are disclosed within the published financial statements of the Group.

9. NET FINANCE EXPENSE

	2017	2016
	£m	£m
Interest payable on related party borrowings	-	(10.4)
Interest payable on external borrowings	(3.4)	(3.8)
IPO capitalised financing costs written off	(1.8)	
Other finance (expense)/income	-	(0.2)
	<u>(5.2)</u>	<u>(14.4)</u>

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

10. INCOME TAX

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

	2017	2016
	£m	£m
Profit on ordinary activities before tax	59.0	37.0
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19.25% (2016: 20%)	(11.4)	(7.4)
Effects of:		
Change in tax rate	0.1	0.1
Expenses not deductible for tax purposes	(0.6)	(1.9)
Prior period adjustments	0.1	(0.4)
Income tax expense	<u>(11.8)</u>	<u>(9.6)</u>

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

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Total
	£m	£m	£m
Cost			
- At 1 January 2017	82.2	83.2	165.4
- Additions	1.0	7.7	8.7
- Assets acquired on business combination	9.9	10.1	20.0
- Disposals	(0.8)	(5.1)	(5.9)
- Changes in the value of decommissioning assets	(0.2)	-	(0.2)
At 31 December 2017	92.1	95.9	188.0
Accumulated depreciation			
- As at 1 January 2017	(4.3)	(13.9)	(18.2)
- Depreciation	(2.1)	(8.3)	(10.4)
- Disposals	0.8	4.8	5.6
- Changes in the value of decommissioning assets	0.2	-	0.2
At 31 December 2017	(5.4)	(17.4)	(22.8)
Net book amount			
At 1 January 2017	77.9	69.3	147.2
At 31 December 2017	86.7	78.5	165.2

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

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

Included within property, plant and equipment are assets under the course of construction of £1.6m (2016: £2.7), comprising £nil (2016: £0.1m) for land and buildings and £1.6m (2016: £2.6m) for plant and machinery.

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSETS

	Brand names	Goodwill	Other	Total
	£m	£m	£m	£m
Cost				
- As at 1 January 2017	6.0	-	2.4	8.4
- Additions	-	-	1.4	1.4
- Assets acquired on business combination	0.4	0.8	-	1.2
- Disposals	-	-	(0.1)	(0.1)
As at 31 December 2017	6.4	0.8	3.7	10.9
Accumulated amortisation				
- As at 1 January 2017	-	-	(0.7)	(0.7)
- Amortisation	-	-	(0.5)	(0.5)
- Disposals	-	-	0.1	0.1
As at 31 December 2017	-	-	(1.1)	(1.1)
Net book amount				
As at 1 January 2017	6.0	-	1.7	7.7
As at 31 December 2017	6.4	0.8	2.6	9.8

	As at 31 December 2017 £m	As at 31 December 2016 £m
Brand names:		
CGU - Thermalite	6.0	6.0
Bison Precast	0.4	-

Impairment review of intangible assets with indefinite useful lives

(i) Intangible assets with indefinite useful lives

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

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

The forecast revenues in the model are based on management's past experience and future expectations of performance. The discount rate used in 2017 is pre-tax 10.4% (2016: 10.6%) derived from a Weighted Average Cost of Capital calculation and benchmarked against similar organisations operating within the sector. The terminal growth rate used in 2017 is 2% (2016: 2%). The short term growth rate is 2.5% in 2017 (2016: 3%).

The recoverable amount in respect of the indefinite life intangibles, as assessed by management using the above assumptions, is greater than the carrying amount and therefore no impairment has been recognised in 2017 (2016: £nil). Management consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate headroom in each of the years presented in these financial statements.

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(ii) Goodwill

The goodwill balance of £0.8m (2016: £nil) relates to the Bison Precast CGU allocated to the Bespoke products reportable segment. The Company estimates the recoverable amount of goodwill using a value in use model by projecting pre-tax cash flows over the estimated useful life. The key assumptions underpinning the recoverable amount of the goodwill are forecast revenue, EBITDA margin, capital expenditure and discount rate.

13. INVENTORIES

	2017	2016
	£m	£m
Raw materials and consumables	5.5	6.0
Work in progress	1.7	1.5
Finished goods	29.1	31.5
	36.3	39.0

Write downs of inventories recognised as an expense in the year were £1.7m (2016: £1.3m). Reversals of previous inventory write downs in the period were £2.1m (2016: £2.1m).

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

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	£m	£m
Trade receivables	31.7	30.0
Amounts owed by group undertakings	-	5.3
Other receivables	0.2	0.3
Prepayments and accrued income	1.1	1.3
	33.0	36.9

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

15. TRADE AND OTHER PAYABLES

	2017	2016
	£m	£m
Trade payables	30.0	26.3
Amounts owed to group undertakings	0.6	5.6
Amounts owed to related parties	-	0.7
Other taxation and social security payable	7.3	3.7
Accruals and other payables	23.5	21.2
	61.4	57.5

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. LOANS AND BORROWINGS

	2017	2016
	£m	£m
Non-current loans and borrowings:		
External bank loans - principal	90.0	140.0
- unamortised debt issue costs	(0.6)	(2.2)
	<u>89.4</u>	<u>137.8</u>
Current loans and borrowings:		
Borrowings from related parties	-	-
External bank loans - principal	-	10.0
- interest	0.4	0.7
	<u>0.4</u>	<u>10.7</u>
	<u>89.8</u>	<u>148.5</u>

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

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

Interest is payable on amounts drawn down under the agreement at a rate of LIBOR plus a variable margin ranging from 1.25% to 2.25%, a 25bps reduction from the original facility.

The facility is subject to the same financial and non-financial covenants as the original facility and is secured by fixed charges over the shares of both the Company and the Company's parent undertaking; Forterra Holdings Limited.

17. FINANCIAL INSTRUMENTS

	2017	2016
	£m	£m
Financial assets at amortised cost		
Cash and cash equivalents	29.0	56.2
Trade and other receivables (excluding prepayments)	31.9	35.6
	<u>60.9</u>	<u>91.8</u>
	<u>2017</u>	<u>2016</u>
	£m	£m
Financial liabilities at amortised cost		
Trade and other payables (excluding non-financial liabilities)	54.1	53.1
Loans and borrowings	89.8	148.5
	<u>143.9</u>	<u>201.6</u>

Financial risk management

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

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Foreign exchange risk:

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

Principal rate of exchange: Euro/sterling

	<u>2017</u>	<u>2016</u>
Period ended	1.12	1.19
Average	1.14	1.23

The Company has entered into forward foreign currency contracts and options to mitigate exchange rate risk for certain foreign currency payables. At 31 December 2017, outstanding contracts maturing within 6 months amounted to €nil (2016: €1.7m) and outstanding contracts maturing between 6-12 months amounted to €nil (2016: €1.3m).

Interest rate risk:

The Company has secured its borrowings from a group of leading banks under a revolving credit facility. These facilities allow the Company to meet short, medium and long-term financing requirements at a margin over LIBOR. The Company manages interest risk on an ongoing basis and reviews options available to hedge part of the variable rate risk.

Credit risk:

Credit risk associated with trade receivables results from normal commercial operations. Procedures are in place to ensure that customer credit worthiness is assessed and monitored sufficiently and that appropriate credit limits are in place and enforced. Trade and other receivables are stated net of management estimated bad debt provisions, impairments in the period were less than £0.1m (2016: less than £0.1m). Deposits with banking institutions also give rise to credit risk. To dilute and mitigate the risk the Company deposits cash and cash equivalents with multiple highly rated counterparties.

Liquidity risk:

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

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	2017
	£m	£m	£m	£m	£m	£m
Trade and other payables (excluding non-financial liabilities)	54.1	-	-	-	-	54.1
Loans and borrowings	2.1	2.1	2.1	2.1	91.2	99.6
	56.2	2.1	2.1	2.1	91.2	153.7
	Less than one year	One to two years	Two to three years	Three to four years	Four to five years	2016
	£m	£m	£m	£m	£m	£m
Trade and other payables (excluding non-financial liabilities)	53.1	-	-	-	-	53.1
Loans and borrowings	13.4	13.0	12.8	12.6	110.8	162.6
Derivative financial instruments	2.6	-	-	-	-	2.6
	69.1	13.0	12.8	12.6	110.8	218.3

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

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

18. PROVISIONS FOR LIABILITIES

	Restoration and Decommissioning	Other	Total
	£m	£m	£m
At 1 January 2017	11.4	3.0	14.4
Charged/(credited) to the income statement			
- Additional provisions	0.2	3.4	3.6
- Release of provisions	-	(0.4)	(0.4)
- Utilised amounts	-	(0.5)	(0.5)
- Unwind of discount	(0.1)	-	(0.1)
At 31 December 2017	11.5	5.5	17.0

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Analysed as:

	2017	2016
	£m	£m
Non-current	9.1	8.7
Current	7.9	5.7
	17.0	14.4

All non-current provisions are discounted at a rate of 2.65% (2016: 2.65%).

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

Non-cash movements on provisions is the sum of additional provisions and release of provisions in the period.

When re-estimating the remaining lives of the Company's facilities, where the cessation of extraction creates an expectation that short term restoration activities are probable, management have reclassified some restoration provisions from non-current in 2016 to current in 2017.

Restoration and decommissioning

The Company is required to restore quarrying sites to a state agreed with the planning authorities after extraction of raw materials ceases and to decommission manufacturing facilities that have been constructed. Provisions for restoration and decommissioning obligations are made based on the best estimate of the likely committed cash outflow. Management seek specialist input from third party experts to estimate the cost to perform necessary remediation work at the reporting date. The useful lives of quarrying sites are based on the estimated mineral reserve remaining and manufacturing facilities linked to the useful life of site property, plant and equipment. Estimates of appropriate inflation and discount rates can also be judgemental, and can have a significant impact on net present value, management reference information from the Bank of England when making such estimates. These provisions are discounted by applying a discount rate that reflects the passage of time. Estimates are revised annually and in the case of decommissioning provisions are adjusted against the asset to which the provision relates, which is then subject to an impairment assessment. Future costs are expected to be incurred over the useful life of the sites, which is a period of up to 50 years.

The impact of changes in discount rate and inflation rates on the provision at year-end was £nil (2016: £nil).

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. DEFERRED TAX

The analysis of deferred tax assets/(liabilities) is as follows:

	2017	2016
	£m	£m
Deferred tax assets/(liabilities) to be recovered after more than 12 months	(0.9)	0.4

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

	Fixed assets £m	Provisions £m	Intangible assets £m	Share- based payments £m	Land £m	Total £m
Deferred tax assets:						
At 1 January 2016	1.6	1.5	(1.2)	-	(0.1)	1.8
Prior period adjustment	(1.3)	0.3	0.5	-	-	(0.5)
(Charged) / credited to the income statement	(1.2)	0.1	-	0.1	-	(1.0)
Effect of rate changes	0.2	(0.1)	-	-	-	0.1
At 1 January 2017	(0.7)	1.8	(0.7)	0.1	(0.1)	0.4
Prior period adjustment	(0.1)	-	-	-	-	(0.1)
(Charged) / credited to the income statement	(0.9)	0.1	-	0.2	-	(0.6)
Other movements	(0.1)	0.1	-	-	-	-
Goodwill on business acquisition	(1.2)	-	-	-	-	(1.2)
Tax on items taken directly to equity	-	-	-	0.5	-	0.5
Effect of rate changes	0.1	-	-	-	-	0.1
At 31 December 2017	(2.9)	2.0	(0.7)	0.8	(0.1)	(0.9)

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

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

20. SHARE CAPITAL AND SHARE PREMIUM

Called up share capital consists of 89,627 Ordinary shares of £1 each. Each Ordinary share has entitles the holder to 1 vote.

	Ordinary shares £m	Share premium £m
Allotted, called up and fully paid		
At 1 January 2017	0.1	46.5
At 31 December 2017	0.1	46.5

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. DIVIDENDS

	2017	2016
	£m	£m
Amounts recognised as distributions to Forterra Holdings in the year:		
Interim dividend of £69.18 per share (2016: £44.73)	6.2	4.0
Final dividend of £84.80 per share in respect of prior year (2016: nil)	7.6	-
	<u>13.8</u>	<u>4.0</u>

22. MERGER RESERVE

On 1 September 2014, HeidelbergCement, the Company's parent undertaking at that date, 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 £447.7m. The assets and liabilities were measured at their previous carrying amounts and the difference between the consideration and the net assets acquired is reflected in the merger reserve. This accounting treatment reflects the fact that the Company was under the control of HeidelbergCement at the point that this reorganisation was effected.

23. CAPITAL CONTRIBUTION RESERVE

On the IPO of the ultimate parent undertaking, Forterra plc, the Company's loan balance of £405.0m was settled. This was partly met by the proceeds received on refinancing, with Forterra plc forgiving the remaining debts due. The forgiving of this loan created a capital contribution reserve.

In addition, Forterra plc compensates certain key management and other employees for services provided to the Company. The value of service is recognised as an increase in the capital contribution reserve.

24. CAPITAL AND OTHER COMMITMENTS

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

	2017	2016
	£m	£m
Land and buildings		
Within one year	0.7	0.7
Between one and five years	2.8	2.1
After five years	5.3	5.5
	<u>8.8</u>	<u>8.3</u>
Other		
Within one year	6.6	6.2
Between one and five years	12.9	16.3
After five years	0.3	0.9
	<u>19.8</u>	<u>23.4</u>

FORTERRA BUILDING PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2017	2016
	£m	£m
Property, plant and equipment	2.1	1.3
Intangible assets	0.3	0.4

25. POST BALANCE SHEET EVENTS

No events have occurred since the balance sheet event that would merit separate disclosure.

26. CONTROLLING PARTIES

The ultimate controlling party of the Company was Lone Star Funds up to 25 April 2017, and then Forterra plc from that date.