Section 1: 8-K/A (8-K/A)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 15, 2018 (June 1, 2018)**

GMS INC.
(Exact name of registrant as specified in charter)

Delaware (State or Other Jurisdiction of Incorporation)	**001-37784** (Commission File Number)	**46-2931287** (I.R.S. Employer Identification No.)

100 Crescent Centre Parkway, Suite 800 **Tucker, Georgia** (Address of Principal Executive Offices)	**30084** (Zip Code)

Registrant's telephone number, including area code: **(800) 392-4619**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Explanatory Note

On June 4, 2018, GMS Inc. filed a Current Report on Form 8-K (the "Initial Filing") to report, among other things, that it completed its previously announced acquisition of WSB Titan on June 1, 2018. This Current Report on Form 8-K/A is being filed as an amendment to the Initial Filing to provide the financial statements and pro forma financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial Filing in reliance on the instructions to such items.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated balance sheets of Master Titan Holdings LP as of December 31, 2017 and December 31, 2016 and the audited consolidated statements of income and comprehensive income, changes in partners' equity and cash flows for the year ended December 31, 2017 and the period from formation on March 18, 2016 to December 31, 2016, and the notes related thereto, are filed as Exhibit 99.1 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial information as of and for the year ended April 30, 2018, and the notes related thereto, are filed as Exhibit 99.2 and incorporated herein by reference.

(d) Exhibits.

Exhibit	Description
23.1	Consent of PricewaterhouseCoopers LLP, independent auditors
99.1	Audited consolidated balance sheets of Master Titan Holdings LP as of December 31, 2017 and December 31, 2016 and audited consolidated statements of income and comprehensive income, changes in partners' equity and cash flows for the year ended December 31, 2017 and the period of incorporation on March 18, 2016 to December 31, 2016, and the notes related thereto
99.2	Unaudited pro forma condensed combined financial information as of and for the year ended April 30, 2018, and the notes related thereto

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GMS INC.

Date: August 15, 2018

By: /s/ H. Douglas Goforth
Name: H. Douglas Goforth
Title: Chief Financial Officer

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Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

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Consent of Independent Auditor

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-217772 and 333-221940) and Form S-3 (No. 333-221986) of GMS Inc. of our report dated April 30, 2018 relating to the financial statements of Master Titan Holdings LP, which appears in this Current Report on Form 8-K.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
August 15, 2018

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Section 3: EX-99.1 (EX-99.1)

Exhibit 99.1

Master Titan Holdings LP

Consolidated Financial Statements
December 31, 2017 and 2016

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April 30, 2018

Independent Auditor's Report

To the Unitholders of
Master Titan Holdings LP

We have audited the accompanying consolidated financial statements of Master Titan Holdings LP and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the related consolidated statements of income and comprehensive income, of changes in partners' equity and of cash flows for the year ended December 31, 2017 and the period from incorporation on March 18, 2016 to December 31, 2016, which, as described in note 1 to the consolidated financial statements, have been prepared on the basis of International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board; this includes the design, implementation and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of significant accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Master Titan Holdings LP and its subsidiaries as at December 31, 2017 and December 31, 2016, and the results of operations and their cash flows for the year ended December 31, 2017 and the period from incorporation on March 18, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

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Master Titan Holdings LP
Consolidated Statements of Financial Position
As at December 31, 2017 and 2016

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	888,932	4,571,110
Trade accounts receivable (note 6)	85,046,370	79,555,793
Inventories (note 7)	65,648,298	60,024,448
Prepaid expenses	2,789,700	6,597,692
Loans receivable and advances (note 8)	2,240,084	199,210
	156,613,384	150,948,253
Long-term assets		
Loans to related parties (note 14)	37,924,952	—
Loans receivable and advances (note 8)	5,518,507	4,205,862
Property, plant and equipment (note 9)	34,052,071	29,158,126
Intangible assets (note 10)	108,514,285	130,465,714
Goodwill (note 10)	102,887,927	101,643,927
	288,897,742	265,473,629
	445,511,126	416,421,882
Liabilities		
Current liabilities		
Bank indebtedness (note 5)	47,991,899	34,058,947
Accounts payable and accrued liabilities	23,467,116	34,532,582
Long-term debt (note 11)	9,252,000	12,260,000
Contingent consideration - LP Units (note 4)	—	9,275,171
	80,711,015	90,126,700
Long-term liabilities		
Long-term debt (note 11)	168,479,668	102,508,815
Contingent consideration - LP Units (note 4)	78,729,785	44,865,828
Other long-term payables	2,453,023	2,398,810
	249,662,476	149,773,453

	330,373,491	239,900,153
Partners' Equity		
Capital stock		
General partnership units (note 12)	600	600
Limited partnership units (note 12)	103,736,968	175,242,333
Retained earnings	11,400,067	1,278,796
	115,137,635	176,521,729
	445,511,126	416,421,882

On Behalf of the Board

______________________ Director ______________________ Director

The accompanying notes are an integral part of these consolidated financial statements.

Master Titan Holdings LP

Consolidated Statements of Income and Comprehensive Income

	Year ended December 31, 2017 $	Period from incorporation on March 18, 2016 to December 31, 2016 $
Net sales (note 15)	589,248,231	365,011,542
Cost of sales	390,364,792	243,841,456
Net sales less cost of sales	198,883,439	121,170,086
Operating expenses (income)		
Wages, salaries and benefits	72,607,869	45,311,780
Vehicle	13,213,220	7,990,369
Occupancy costs	14,800,016	9,628,103
Repairs and maintenance	3,305,220	2,082,454
Bank charges	4,036,507	2,625,310
Marketing	5,218,466	2,932,999
Office	5,796,113	3,184,706
Depreciation	9,205,285	7,081,861
Amortization of intangible assets	21,951,429	14,634,286
Management fees	601,298	378,120
Other income (note 16)	(5,067,717)	(3,198,029)
	145,667,706	92,651,959
Operating income	53,215,733	28,518,127
Other expenses		
Interest	8,701,980	5,589,927
Transaction and other costs (note 4)	838,205	10,888,726
Other expenses	337,110	64,446
Consideration to former shareholders and change in fair value (note 4)	33,048,349	10,703,899
Loss (gain) on disposal	168,818	(7,667)
	43,094,462	27,239,331
Net income and comprehensive income - End of period	10,121,271	1,278,796

The accompanying notes are an integral part of these consolidated financial statements.

Master Titan Holdings LP

Consolidated Statements of Changes in Partners' Equity

For the year ended December 31, 2017 and period from incorporation on March 18, 2016 to December 31, 2016

	Limited partners	General partners	Retained earnings	Total

	$	$	$	$
Partners' equity - March 18, 2016	—	—	—	—
Capital contributions				
GP units	—	600	—	600
Class A-1 units	87,821,262	—	—	87,821,262
Class A-2 units	7,803,738	—	—	7,803,738
	95,625,000	600	—	95,625,600
Partners' equity - April 29, 2016				
Issued as part of business combination (note 4)				
Class A-2 units	57,537,333	—	—	57,537,333
Class B-1 units	11,040,000	—	—	11,040,000
Class B-2 units	11,040,000	—	—	11,040,000
	79,617,333	—	—	79,617,333
	175,242,333	600	—	175,242,933
Net income and comprehensive income for the period	—	—	1,278,796	1,278,796
Partners' equity - December 31, 2016	175,242,333	600	1,278,796	176,521,729
Partners' equity - January 1, 2017	175,242,333	600	1,278,796	176,521,729
Capital contributions				
Issued capital				
Class A special unit option	100,000	—	—	100,000
Class B special unit option	100,000	—	—	100,000
Return of capital				
Class A-1 units	(53,467,216)	—	—	(53,467,216)
Class A-2 units	(18,160,944)	—	—	(18,160,944)
Class A special unit option	(43,637)	—	—	(43,637)
Class B special unit option	(33,568)	—	—	(33,568)
	(71,505,365)	—	—	(71,505,365)
	103,736,968	600	1,278,796	105,016,364
Net income and comprehensive income for the period	—	—	10,121,271	10,121,271
Partners' equity - December 31, 2017	103,736,968	600	11,400,067	115,137,635

The accompanying notes are an integral part of these consolidated financial statements.

Master Titan Holdings LP
Consolidated Statements of Cash Flows

	Year ended December 31, 2017 $	Period from incorporation on March 18, 2016 to December 31, 2016 $
Cash provided by (used in)		
Operating activities		
Net income for the period	10,121,271	1,278,796
Items not involving cash		
Depreciation	9,205,285	7,081,861
Amortization of intangible assets	21,951,429	14,634,286
Amortization of deferred financing fees	502,083	300,208
Loss (gain) on disposal	168,818	(7,667)
Consideration to former shareholders and change in fair value	33,048,349	10,703,899
Interest on contingent consideration	869,821	645,457
	75,867,056	34,636,840
Changes to non-cash working capital items		
Trade accounts receivable	(2,908,577)	14,917,338
Inventories	(3,249,850)	(2,603,794)
Prepaid expenses	3,807,992	(4,837,508)
Loans receivable and advances	(3,353,519)	(825,095)
Accounts payable and accrued liabilities	(11,065,466)	(10,286,728)
	59,097,636	31,001,053
Investing activities		
Payments in relation to previous business acquisition	(9,275,171)	—
Business acquisition (note 4)	(11,000,000)	(267,459,732)
Purchase of property, plant and equipment (note 9)	(9,689,846)	(2,708,430)

Proceeds from disposal of property, plant and equipment (note 9)	221,798	858,460
	(29,743,219)	(269,309,702)
Financing activities		
Capital contributions received (note 12)	200,000	95,625,600
Return of capital (note 12)	(71,705,365)	—
Loans to related parties (note 14)	(37,924,952)	—
Increase in term loans	84,377,000	122,600,000
Repayment of term loan	(20,473,000)	(7,403,395)
Net increase in bank indebtedness	13,932,952	34,058,947
Financing fees	(1,443,230)	(2,001,393)
	(33,036,595)	242,879,759
Net change in cash during the period	(3,682,178)	4,571,110
Cash and cash equivalents - Beginning of period	4,571,110	—
Cash and cash equivalents - End of period	888,932	4,571,110

The accompanying notes are an integral part of these consolidated financial statements.

1 Nature of operations and summary of significant accounting policies

Nature of operations

Master Titan Holdings LP (the Company) is a general partnership formed on March 18, 2016 pursuant to the Partnership Act (Manitoba) whose partners are TorQuest Fund III GP Inc., through its ownership interest in T1 2016 Investors LP and Master Titan Holdings GP Inc.

The Company's principal business activity is the purchase and distribution of drywall, lumber, commercial and residential building materials and construction material throughout Canada. On April 29, 2016, the Company commenced operations through the purchase of the net assets of several entities as described in note 4.

The Company has several locations throughout British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Company's headquarters are located at 50 Royal Group Crescent, Vaughan, Ontario, Canada L4H 1X9.

Summary of significant accounting policies

- Basis of presentation

  These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and with interpretations of the International Financial Reporting Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting. The Company consolidates all entities which it controls. The principal subsidiaries of the Company include the following:

  - WatBlock GP (WatBlock)
  - Watson LP (through its ownership interest in WatBlock LP) (Watson)
  - Slegg LP (Slegg)
  - BC Ceilings LP (BCC)
  - Core Acoustics Titan LP (Core Acoustics)
  - Shoemaker LP (Shoemaker)
  - WSB Titan Amalco (WSB Titan)

  The accounting policies set out below have been applied consistently throughout the subsidiaries to all periods presented in these consolidated financial statements. The board of directors approved these consolidated financial statements on April 30, 2018.

- Basis of consolidation

- Subsidiaries

  Subsidiaries are all those entities over which the Company has the power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and de-consolidated from the date that control ceases.

- Intercompany transactions

  Intercompany balances, unrealized gains and losses, and income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

- Foreign currency translation

  The functional currency of the Company and its subsidiaries and the presentation currency of the consolidated financial statements is the Canadian dollar.

  - Foreign currency transactions

    Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

- Financial assets

  - Classification

    The Company classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

    - Financial assets at fair value through profit or loss

      Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

    - Loans and receivables

      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 financial assets are classified as non-current assets.

    - Available-for-sale financial assets.

      Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

    As at December 31, 2017 and 2016, the Company only had loans and receivables.

  - Offsetting financial instruments

    Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

  - Trade and other accounts receivable

    Accounts receivable consist of amounts due from customers from product sales in the normal course of business. Trade receivables are carried at amounts due, net of a provision for amounts estimated to be uncollectible.

- Cash

  Cash comprises cash balances and demand deposits with banks and other short-term highly liquid investments subject to insignificant risk of changes in value.

- Inventories

Inventories are mainly comprised of goods held for resale. Inventories are stated at the lower of cost and net realizable value. Cost is calculated on a weighted average basis, including freight-in costs (where applicable), net of any purchase rebates. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost of sales represents the cost of inventory recognized as an expense during the period.

- Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses.

The useful lives of property and equipment are reviewed at least annually and the depreciation charge is adjusted for prospectively. Property, plant and equipment are depreciated over their estimated useful lives as follows:

Vehicles and trucks	30% - 40% declining balance
Furniture and fixtures	8% - 20% declining balance
Buildings	4% declining balance
Machinery and equipment	30% declining balance
Leasehold improvements	straight-line over the term of the lease

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other income and other expenses in the consolidated statements of income and comprehensive income.

- Goodwill and intangible assets

  - Goodwill

    All business combinations are accounted for by applying the acquisition method. Under this method, the purchase price is allocated to assets acquired, liabilities and contingent liabilities assumed (the net assets), based on their estimated fair values as at the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired is allocated to goodwill.

    Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) or group of CGUs, which corresponds to the level at which goodwill is internally monitored. Goodwill is not amortized but is tested for impairment annually or as soon as there is an indication the CGU may be impaired.

    The carrying value of goodwill CGU is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

  - Intangible assets

    Intangible assets other than goodwill are stated at cost less accumulated amortization and impairment losses (see note 10).

    Identifiable intangible assets existing at the date of acquisition in a business combination are recognized as part of the purchase accounting and are measured at fair value. Intangible assets are considered identifiable if they arise from contractual or legal rights or are separable and are amortized over the life of the legal right.

    Customer relationships and customer contracts are recognized when the acquired entity establishes relationships with key customers through contracts. Customer relationships and customer contracts are measured using an excess profit method and are amortized over their estimated useful lives of seven and five years, respectively, on a straight-line basis.

Brands are recognized when the acquired entity has words, names, symbols, devices or a combination thereof, used by the Company to distinguish them from those manufactured or sold by others. Brands are measured using the excess savings from owning the rights and are amortized over their estimated useful lives of five years on a straight-line basis.

In accordance with IFRS, for the purposes of assessing the impairment of property, plant and equipment, management has identified CGUs based on the smallest group of assets that are capable of generating largely independent cash inflows. CGUs have been identified to be those based on operating divisions.

- Calculation of the recoverable amount

The recoverable amount of non-financial assets or CGUs is the greater of their fair value less costs to sell and the value in use. In assessing fair value, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs. The Company performs impairment tests of goodwill at the division level, which represents the lowest level within the entity at which operations are monitored by management for the purpose of measuring the return on investment.

- Financial liabilities

- Long-term debt

Long-term debt is recognized initially at fair value less associated financing fees. Subsequent to initial recognition, long-term debt is stated at amortized cost using the effective interest rate method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

- Financing fees

Financing fees are incremental costs that are directly associated with the issuance of the financial liability. Financing fees include costs and commissions paid to agents and advisers.

- Recognition of contingent consideration

The Company recognizes the fair value of contingent consideration relating to its business acquisitions at the date the transaction closes. When the consideration is subject to the financial performance of the business being acquired, the Company revalues the contingent consideration liabilities at each subsequent reporting date and on settlement. Consideration that is earned by the former shareholders outside of the financial performance of the business or tied to vesting periods are recorded as earned and are included in the consolidated statements of income and comprehensive income. The contingent shares are either issued in escrow and subsequently released to the counterparty, or are issued at a later date, and the amount varies based on the business being acquired achieving predetermined earnings targets over a specified period.

Contingent consideration for certain businesses acquired are issued in LP units at the date of acquisition and subsequently settled in either equity or cash, depending on the agreement, when the contingency is resolved.

Subsequent changes in fair value between reporting periods are included in the determination of net income. Shares issued or released from escrow in the final settlement of contingent consideration are recognized in share capital at their fair value at the time of issue or release with a corresponding reduction in the contingent consideration liability. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within 12 months.

- Revenue

Revenue arising from the sale of goods is presented in net sales in the consolidated statements of income and comprehensive income. Sales are recognized when the significant risks and rewards of ownership have been transferred to the buyer, which usually occurs with shipment of the product.

Sales are recognized net of sales rebates and discounts.

The Company may, from time to time, enter into direct sales (as opposed to warehouse sales) whereby the product is sent directly from the supplier to the customer without any physical transfer to and from the Company's warehouse. The Company is acting as principal in this relationship and bears the credit risk associated with the sales, and therefore recognizes the gross amount of the sale transaction. Sales are recognized when the significant risks and rewards of ownership have been transferred to the buyer, which usually occurs with shipment of the product.

- Income taxes

  The Company, as a limited partnership, is not subject to income taxes. The taxable income or loss of the partnership is allocated to the partners for tax purposes.

- Partnership distributions

  The Company makes distributions to its partners, subject to certain restrictions within its credit agreement, such as remaining within certain financial covenants.

- Reclassification of comparative period presentation

  Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on the reported results of operations, only classifications of certain operating expenses.

2 Accounting standards and interpretations not yet in effect

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), was issued by the IASB in July 2014 and will replace International Accounting Standard (IAS) 39, Financial Instruments - Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is still evaluating the effect of this standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers (IFRS 15), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after

January 1, 2018 and earlier application is permitted. Based on the Company's contracts and the products it sells, it is estimated that the standard will have no significant impact on the recognition of net sales.

IFRS 16, Leases

The IASB published a new standard, IFRS 16, Leases (IFRS 16), on January 15, 2016. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17, Leases, and related interpretations, and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The Company is in the process of assessing the impact of the new standard.

3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's significant accounting policies are disclosed in note 2.

Consolidation

The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Impairment of non-financial assets (goodwill, intangible assets and fixed assets)

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs, for the level at which goodwill and intangible assets are tested for impairment. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

For the annual impairment tests of goodwill, the following table summarizes the critical assumptions that were used in estimating the recoverable amount, which was based on fair value less cost of disposal, using discounted cash flows for the various entities:

Assumptions	Range
Terminal growth factor	2.0% to 3.0%
Estimated average revenue growth rate	6.0% to 8.0%
Discount rate	8.9% to 12.5%

The recoverable amount of CGUs is mostly sensitive to the discount rate used. The discount rate was determined on the basis of the weighted average cost of capital calculated for the Company. The weighted average cost of capital reflects the time value of money and the risk specific to the asset for which cash flow projections have not already been adjusted, considering the financial structure and financing conditions of an average market participant.

Contingent consideration

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39 and IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as appropriate. The remeasured liability is based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

4 Business combinations

a) On May 31, 2017, the Company acquired certain net assets of Dodd's Lumber (the Dodd's acquisition), which included primarily the land, building and other fixed assets, as well as certain working capital balances. For accounting purposes, the Dodd's acquisition was considered a business under IFRS 3, Business Combinations. As a result, the transaction has been accounted for as a business combination. Transaction costs incurred by the Company related to the transaction have been expensed.

The Company accounted for the Dodd's acquisition using the acquisition method of accounting. Under this method, the Company allocates the purchase price to tangible and intangible assets acquired and liabilities assumed based on estimated fair values at the date of acquisition, with the excess of the purchase price amount being allocated to goodwill. The values of the net assets acquired, which is based on management's estimate of fair value, and consideration given, are as follows:

	$
Accounts receivable	2,582,000
Inventory	2,374,000
Fixed assets	4,800,000
Goodwill	1,244,000
Total cash consideration paid	11,000,000

Transaction costs of $166,994 were incurred in relation to the Dodd's acquisition and expensed in the consolidated statements of income and comprehensive income.

b) On April 29, 2016, the Company acquired the net assets of six entities (the initial acquisition), Watson Building Supplies Incorporated, Slegg Building Materials Limited, Shoemaker Drywall Supplies (A Partnership), BC Ceiling Systems Limited, Canadian Acoustical Ceiling Supply Limited and Core Acoustics Limited (collectively the Sellers).

Under the terms of the agreement, the Sellers received 57,537,333 of Class A-2 units, 11,040,000 Class B-1 units and 11,040,000 Class B-2 units, cash payment of $267,459,732, contingent consideration at a fair value of $42,826,453 and deferred consideration at a fair value of $2,364,000.

	Watson LP $	Slegg LP $	Shoemaker LP $	BC Ceilings LP $	Core Acoustics Titan LP $	Other $	Total $
Consideration							
Cash consideration	113,129,003	67,325,000	70,900,000	5,400,000	208,334	2,000,300	258,962,637
Other long-term payables	—	—	—	2,174,000	190,000	—	2,364,000
Contingent consideration	8,816,000	28,979,000	3,743,453	1,288,000	—	—	42,826,453
LP units	56,629,000	11,740,000	11,040,000	—	208,333	—	79,617,333
Additional consideration (working capital adjustments)	6,024,098	5,624,101	(3,355,103)	190,000	13,999	—	8,497,095
	184,598,101	113,668,101	82,328,350	9,052,000	620,666	2,000,300	392,267,518
Net assets acquired							
Accounts receivable	25,372,989	26,311,343	40,887,085	1,570,646	331,068	—	94,473,131
Inventories	12,773,939	31,515,660	12,280,477	770,538	80,040	—	57,420,654
Prepaid assets	347,892	792,695	482,393	24,704	112,500	—	1,760,184
Loans receivable and advances	498,083	1,052,572	—	29,022	—	2,000,300	3,579,977
Property, plant and equipment	10,828,723	11,013,100	12,259,365	260,409	20,753	—	34,382,350
Accounts payable and accrued liabilities	(9,753,943)	(11,842,254)	(22,173,340)	(707,518)	(342,255)	—	(44,819,310)
Loans payable	(1,273,395)	—	—	—	—	—	(1,273,395)
Intangible assets	98,900,000	18,400,000	25,800,000	2,000,000	—	—	145,100,000
Goodwill	46,903,813	36,424,985	12,792,370	5,104,199	418,560	—	101,643,927
	184,598,101	113,668,101	82,328,350	9,052,000	620,666	2,000,300	392,267,518

Transaction costs of $7,462,726 were incurred in relation to the initial acquisition and are expensed in the consolidated statements of income and comprehensive income.

As part of the initial acquisition, the Company committed to pay former shareholders contingent consideration based on defined targets achieved by the Company's subsidiaries. The targets and payouts are summarized below:

	Fair value of consideration at initial acquisition $	Maximum payout $	Payout date	Target
Class D units (BC Ceilings)	1,288,000	4,050,000	April 28, 2020	EBITDA
Class D units (Slegg)	20,055,000	26,928,485	April 28, 2020	EBITDA
Class E-1 units (Slegg)	3,499,000	4,697,515	April 28, 2020	EBITDA
Class F units (other)	8,816,000	9,639,000	April 28, 2020	performance of business
Inventory payout (Shoemaker) (i)	3,743,453	3,787,000	March 28, 2017	inventory target
Inventory payout (Slegg) (i)	5,425,000	7,713,660	December 27, 2017	inventory target
	42,826,453	56,815,660		

(i) During the year, the Company paid $9,275,171 related to the inventory payout for Shoemaker and Slegg.

During the year, as a result of the expectation of achieving certain targets, the fair value of certain contingent consideration increased by $5,573,032 and was accrued in the current period.

In addition, the Company is obligated to pay additional consideration (contingent payments) not included in the total consideration above to certain former shareholders based on defined criteria. The Company is obligated to pay the following contingent payments:

- The Company is obligated to additional consideration if the average of certain operating results for the Shoemaker business for the period from April 29, 2016 to April 28, 2020 exceeds defined thresholds. The contingent payments vary based on the achieved result to a maximum of $60,000,000 payable April 28, 2020. As the obligation to pay the contingent payment is conditional on the continued employment of the former shareholder who is also a key executive, the amounts accrued are recorded as period expenses. The amount accrued in the current period is $17,763,380 (2016 - $5,953,619).

- The Company is also obligated to additional consideration if the cumulative sales for the period from April 29, 2016 to April 28, 2019 and sales for the period from April 29, 2019 to April 28, 2020 to certain former shareholders of Watson exceed defined thresholds. The contingent payments vary based on the achieved sales targets to a maximum of $22,500,000 payable on April 29, 2019 and a further $17,500,000 payable on April 29, 2020. As the obligation to pay these contingent payments is conditional on meeting certain volumes purchased by the former shareholder, the amounts accrued are recorded as period expenses. The amount accrued in the current period is $9,711,937 (2016 - $4,750,280).

The contingent expenses are included in the consideration to former shareholders in the consolidated statements of income and comprehensive income and are accrued in contingent consideration on the consolidated statements of financial position.

All the contingent consideration will become immediately due and payable upon a liquidity event.

5 Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2017 $	2016 $
Cash and cash equivalents	850,171	4,541,418
Petty cash	38,761	29,692
	888,932	4,571,110

The bank indebtedness of the Company consists of the following:

	2017 $	2016 $
Accounts in overdraft	991,899	2,989,946
Line of credit (note 11)	47,000,000	31,069,001
	47,991,899	34,058,947

6 Trade accounts receivable

Trade accounts receivable include taxes collected on behalf of the fiscal authorities. The taxes amounted to $861,744 (2016 - $2,461,324).

Trade accounts receivable of the Company consist of the following:

	2017 $	2016 $
Trade accounts receivable	86,222,082	83,188,347
Allowance for doubtful accounts	(1,175,712)	(3,632,554)
	85,046,370	79,555,793
Trade accounts receivable		
0 to 60 days	77,310,918	70,056,482
60 to 90 days	5,333,534	5,278,028
Over 90 days	3,577,630	7,853,837
Less: Allowance for doubtful accounts	(1,175,712)	(3,632,554)
	85,046,370	79,555,793

	2017 $	2016 $
Rollforward of allowance for doubtful accounts		
Balance at the beginning of the period	(3,632,554)	(6,564,081)
Allowance made during the year	(454,979)	(424,420)
Amounts written off during the year	2,589,999	3,085,993
Reversal of provision for amounts collected	321,822	269,954
	(1,175,712)	(3,632,554)

The allowance for doubtful accounts primarily comprises trade receivables overdue more than 90 days.

7 Inventories

The Company's inventory is comprised of finished goods inventory.

Inventories of the Company consist of the following:

	2017 $	2016 $
Inventory	66,548,298	61,138,475
Inventory provision	(900,000)	(1,114,027)
	65,648,298	60,024,448

The cost of inventories recognized as an expense and included in cost of sales amounted to $390,364,792 (2016 - $243,841,456).

8 Loans receivable and advances

Loans receivable and advances consist of the following:

	2017 $	2016 $
Loan (i)	2,000,000	2,000,000
Loans and advances to customers	5,758,591	2,405,072
	7,758,591	4,405,072
Less: Current portion of loans receivable and advances	2,240,084	199,210
	5,518,507	4,205,862

(i) As part of the initial acquisition (note 4), the Company assumed an interest bearing loan of $2,000,000 advanced to Ontario Acoustic Supply Inc., maturing on August 17, 2018. The loan agreement bears interest at 3% and additional interest of $340,000 per annum. During the period, the Company received total interest of $400,000 (2016 - $266,667).

Advances to customers bear interest at rates from prime plus 3% to prime plus 6% based on the credit risk of the customer and are secured. Maturity dates for the advances to customers range from February 2018 to January 2025.

9 Property, plant, and equipment

	Land and buildings $	Furniture and fixtures $	Machinery and equipment $	Leasehold improvements $	Vehicles and trucks $	Total $
Cost						
Beginning balance - January 1, 2017	4,007,711	2,013,100	4,981,294	3,034,234	20,998,033	35,034,372
Acquired in business combination (note 4)	4,400,000	—	400,000	—	—	4,800,000
Additions	—	887,362	970,479	1,946,992	5,885,013	9,689,846
Disposals	—	(50,000)	(395,078)	(416,940)	(1,391,077)	(2,253,095)
	8,407,711	2,850,462	5,956,695	4,564,286	25,491,969	47,271,123
Less: Accumulated depreciation						
Beginning balance - January 1, 2017	27,020	253,532	832,182	318,707	4,444,805	5,876,246
Amortization expense	93,376	427,834	1,454,383	789,410	6,440,282	9,205,285
Disposals	—	(21,200)	(354,203)	(260,310)	(1,226,766)	(1,862,479)
	120,396	660,166	1,932,362	847,807	9,658,321	13,219,052
Net book value - December 31, 2017	8,287,315	2,190,296	4,024,333	3,716,479	15,833,648	34,052,071

Depreciation expense of $9,205,285 (2016 - $7,081,861) is recorded in the consolidated statements of income and comprehensive income. During the period, the Company did not write off any fully depreciated assets.

December 31, 2017

	Land and buildings $	Furniture and fixtures $	Machinery and equipment $	Leasehold improvements $	Vehicles and trucks $	Total $
Cost						
Acquired in business combination (note 4)	4,007,711	1,861,391	4,764,284	2,623,760	21,125,204	34,382,350
Additions	—	151,709	423,048	471,022	1,662,651	2,708,430
Disposals	—	—	(206,038)	(60,548)	(1,789,822)	(2,056,408)
	4,007,711	2,013,100	4,981,294	3,034,234	20,998,033	35,034,372
Less: Accumulated depreciation						
Depreciation expense	27,020	253,532	1,016,195	368,956	5,416,158	7,081,861
Disposals	—	—	(184,013)	(50,249)	(971,353)	(1,205,615)
	27,020	253,532	832,182	318,707	4,444,805	5,876,246
Net book value - December 31, 2016	3,980,691	1,759,568	4,149,112	2,715,527	16,553,228	29,158,126

10 Goodwill and intangible assets

Goodwill and intangible assets of the Company consist of the following:

	Intangible assets				
	Customer relationships $	Customer contracts $	Brand $	Total $	Goodwill $
Cost					
Beginning balance	—	—	—	—	—
Acquired in business combination	123,700,000	19,400,000	2,000,000	145,100,000	101,643,927
December 31, 2016	123,700,000	19,400,000	2,000,000	145,100,000	101,643,927
Less: Accumulated amortization	—	—	—	—	—
Amortization expense	11,780,952	2,586,667	266,667	14,634,286	—
December 31, 2016	11,780,952	2,586,667	266,667	14,634,286	—
	111,919,048	16,813,333	1,733,333	130,465,714	101,643,927
Cost					
Beginning balance	123,700,000	19,400,000	2,000,000	145,100,000	101,643,927
Acquired in business combination	—	—	—	—	1,244,000
December 31, 2017	123,700,000	19,400,000	2,000,000	145,100,000	102,887,927
Less: Accumulated amortization	11,780,952	2,586,667	266,667	14,634,286	—
Amortization expense	17,671,429	3,880,000	400,000	21,951,429	—
December 31, 2017	29,452,381	6,466,667	666,667	36,584,715	—
Carrying amount - December 31, 2017	94,247,619	12,933,333	1,333,333	108,514,285	102,887,927

Goodwill

As described in note 1, goodwill is reviewed for impairment annually, or at any time if an indicator of impairment exists. Key assumptions used in recoverable amount computations are described in note 3.

As at December 31, 2017, goodwill was tested for impairment as described above and the calculations did not evidence any impairment as the recoverable amount of the CGUs exceeded their carrying amount by a substantial amount.

The aggregate goodwill carrying amounts allocated to each CGU are as follows:

	2017 $	2016 $
Watson LP	47,322,373	47,322,373
Slegg LP	37,668,985	36,424,985
Shoemaker LP	17,896,569	17,896,569
	102,887,927	101,643,927

11 Debt

	2017 $	2016 $
Outstanding balance of term loan	180,374,000	116,470,000
Term loan, short-term portion	(9,252,000)	(12,260,000)
	171,122,000	104,210,000
Deferred financing fees	(2,642,332)	(1,701,185)
Term loan, long-term portion, net of deferred financing costs	168,479,668	102,508,815

On April 29, 2016, the Company entered into a credit agreement with a syndicate of lenders for senior debt financing. The credit agreement provided for a five-year $122,600,000 term loan maturing on April 29, 2021 (the Term Loan) and a revolving credit facility of $88,000,000 (the Revolving Facility, collectively the Facilities). The facilities bore interest at the Canadian prime rate plus a marginal rate based on the level determined by the total debt to EBITDA ratio as at the end of the most recently completed fiscal quarter or fiscal year. The marginal rate ranged from 0.5% to 2.0%.

On June 28, 2017, the credit agreement was amended (the Amendment), extending the term loan maturity date to June 28,2022 and increasing the Term Loan facility to $185,000,000 and the Revolving Facility to $105,000,000, of which $47,000,000 is outstanding at period-end (bank indebtedness).

The Amendment was accounted for as a modification of debt, as the terms of the Amendment were not substantially different from the original credit agreement. Therefore, the costs associated with the modification were treated as an adjustment to the carrying value of the long-term debt and amortized over the remaining term of the modified debt.

Costs incurred to establish the initial credit agreement in 2016 totalled $2,001,393 and costs incurred to establish the amended agreement in 2017 were $1,443,230. The total remaining costs are amortized over the remaining term of the modified debt maturing on June 28, 2022.

Master Titan Holdings LP
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The schedule of repayments of long-term debt based on maturity is as follows:

	$
2018	9,252,000
2019	9,252,000
2020	9,252,000
2021	9,252,000
2022	143,366,000
	180,374,000

The credit agreement contains restrictions related to the Company's ability to distribute earnings to its partners when certain financial covenants are breached. As at December 31, 2017, the Company was in compliance with these covenants.

12 Partners' equity

On March 18, 2016, the Company accepted capital contributions from the following entities:

	$
TI 2016 Investors Limited Partnership	95,000,000
Master Titan Holdings GP Inc.	600
	95,000,600

On April 29, 2016, as a part of the business combination, the Company issued additional partnership units as partial consideration for the purchase of the Acquired Assets. The Company issued partnership units to the following entities:

	$
Shoemaker Drywall Supplies (A Partnership)	11,040,000
Watson Building Supplies Inc.	46,990,000
Slegg Building Materials Ltd.	11,740,000
Core Acoustics Ltd.	208,333
2032068 Ontario Inc.	3,500,000
1955258 Ontario Inc.	6,139,000
	79,617,333

On June 30, 2016, TI 2016 Investors Limited Partnership provided $625,000 of additional capital contributions.

The company also issued a $200,000 loan to Master Titan Holdings Option Corporation (OptionCo) during the year. The loan bears interest at 2% annually. OptionCo directed the Company to use the proceeds from the loan to fund the subscription for 100,000 Class A special units and 76,924 Class B special units. The Class A and Class B special units have a fixed distribution equal to the cost of financing at 2% annually. These units are exercisable upon a liquidity event and redeemable for 176,924 Class A-1 Master Limited Partnership units.

On June 28, 2017, the Company returned capital to certain partners in the amount of $71,705,365.

At the end of the period, the Company had the following partnership units outstanding, which are classified as equity or liability, depending on their features:

		Amount			
	Units #	2016 $	2017 Activity $	Return of capital $	2017 $
Equity units					
GP units	600	600	—	—	600
Class A-1 units	87,763,570	87,821,262	—	(53,467,216)	34,354,046
Class A-2 units	65,341,071	65,341,071	—	(18,160,944)	47,180,127
Class A special unit option	100,000	—	100,000	(43,637)	56,363
Class B-1 units	11,040,000	11,040,000	—	—	11,040,000
Class B-2 units	11,040,000	11,040,000	—	—	11,040,000
Class B special unit option	76,924	—	100,000	(33,568)	66,432
Total units classified as equity	175,362,165	175,242,933	200,000	(71,705,365)	103,737,568
Liability units					
Class C-1 units (Watson)	7,500,000	1,787,187	3,399,634	—	5,186,821
Class C-2 units (Watson)	5,000,000	612,345	2,494,108	—	3,106,453
Class C-3 units (Watson)	5,000,000	1,189,532	2,118,020	—	3,307,552
Class C-4 units (Watson)	5,000,000	1,161,216	1,700,175	—	2,861,391
Class D-1 units (Watson)	7,500,000	—	—	—	—
Class D-2 units (Watson)	5,000,000	—	—	—	—
Class D-3 units (Watson)	5,000,000	—	—	—	—
Class D-4 units (Watson)	1	—	—	—	—
Class D units (BCC)	4,050,000	1,306,923	73,084	—	1,380,007
Class D units (Shoemaker)	51,720,000	5,132,020	15,312,034	—	20,444,054

Class D units (Slegg)	26,928,485	20,356,626	5,205,527	—	25,562,153
Class E-1 units (Slegg)	4,697,515	3,551,341	907,825	—	4,459,166

		Amount			
	Units #	2016 $	2017 Activity $	Return of capital $	2017 $
Class E-2 units (Shoemaker)	8,280,000	821,599	2,451,346	—	3,272,945
Class F units (other)	9,639,000	8,947,039	202,204	—	9,149,243
Total units classified as liability	145,315,001	44,865,828	33,863,957	—	78,729,785
Total units classified as liability and equity	320,677,166	220,108,761	34,063,957	(71,705,365)	182,467,353

13 Commitments and contractual obligations

The Company and its subsidiaries have entered into several lease agreements for premises for various terms expiring up to the year 2030. The following table details the due dates of the Company's operating leases and service agreements, estimated contingent consideration and estimated term loan repayment:

	Operating leases and service agreements $	Contingent consideration $	Term loan repayment (including interest) $
2018	9,430,359	—	15,892,816
2019	8,880,716	22,500,000	15,550,122
2020	3,666,537	144,837,333	15,207,428
2021	3,160,019	—	14,864,734
2022	3,130,646	—	147,425,544
Thereafter	4,196,997	—	—
	32,465,274	167,337,333	208,940,644

The minimum lease payments shown above are for non-cancellable operating leases for buildings as at December 31, 2017. The total expense for operating lease contracts was $13,081,869 (2016 - $8,633,550) for the period ended December 31, 2017. Interest payments included in contractual obligations are based on current prevailing interest rates (note 17).

The company has issued a letter of credit totalling $500,000 (2016 - $500,000).

14 Related parties

Related party transactions that are in the normal course of operations and have commercial substance are made under competitive terms and conditions or in accordance with the agreements with the related party.

Management and other fees

During the period, TorQuest Fund III GP Inc., an entity that controls the Company, provided management services and various administrative support functions were provided to the Company. The charges for these services were $501,298 (2016 - $1,337,907).

Included in accounts payable were management fees to related parties as follows:

	2017 $	2016 $

TorQuest Fund III GP Inc.	122,541	122,540
TorQuest Capital Fund III GP Inc.	2,459	2,460
	125,000	125,000

Executive compensation

Payments made to key executives of the Company for salaries and other benefits amounted to $1,383,527 (2016 - $909,406).

Director's fees

Payments to directors of the Company amounted to $100,000 (2016 - $40,213).

Other transactions

The Company has a lease agreement with JRK Investments Inc., an entity controlled by one of the unitholders of the Company. Payments for rental costs paid to JRK Investments Inc. amounted to $1,457,992 (2016 - $971,955).

Contingent compensation

The Company has accrued contingent consideration due to former shareholders related to the business acquisition. Details of the contingent consideration are described in note 3.

Loans to related parties

During the year, the Company made certain advances to unitholders in the amount of $37,924,952. The Company has recorded these amounts as loans receivable. The loans are repayable in the event of bankruptcy, liquidation or dissolution of the partnership agreement or a liquidity event including a transaction involving the

sale of the business, an initial public offering or any other qualifying liquidity event. Loans are non-interest bearing and due on demand, however, the Company has agreed to postpone demand for the loans beyond the current year and as a result, the loans are classified as long-term.

15 Net sales

Net sales of the Company consist of the following:

	Year ended December 31, 2017 $	Period from incorporation on March 18, 2016 to December 31, 2016 $
Gross sales	614,521,677	379,748,742
Sales discount and rebates	(25,273,446)	(14,737,200)
	589,248,231	365,011,542

16 Other income

Other income of the Company consist of the following:

	Year ended December 31, 2017 $	Period from incorporation on March 18, 2016 to December 31, 2016 $
Interest income	849,629	702,756
Other purchase rebates	1,633,875	925,781
Marketing rebates	2,584,213	1,569,492

	5,067,717	3,198,029

17 Risk management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are: interest rate risk, credit risk and liquidity risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance.

Interest rate risk

The Company's exposure to interest rate fluctuations is with respect to its short-term and long-term financing, which bears interest at a floating rate of prime. As at December 31, 2017, an increase or decrease of 1% in short-term interest rates would lead to a respective increase or decrease in annual interest expense of $2,273,740.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including cash and cash equivalents, accounts receivable and loans receivable. Failure to manage credit risk could adversely affect the financial performance of the Company.

The Company's investment policies are designed to mitigate the possibility of deterioration of principal, enhance the Company's ability to meet its liquidity needs and to provide high returns within those parameters. Cash is on deposit with Canadian chartered banks.

Accounts receivable and loans receivable are monitored by management for collectability and management estimates an allowance for doubtful accounts. As a consequence of the considerable customer spread in terms of geographical location and numbers the credit risk is fundamentally limited. No customer exceeds 10% of the Company's net sales in 2016 or 2017. As at December 31, 2017, the allowance for doubtful accounts was $1,175,712 (2016 - $3,632,554).

Liquidity risk

Cash flow forecasting is performed by the Company. The Company 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 debt financing plans, covenant compliance, and compliance with internal consolidated statements of financial position ratio targets.

18 Capital management

The Company considers capital to be primarily cash, long-term debt and shareholder's equity and makes adjustments as appropriate to such variables as cash on hand, additional capital expenditures, debt capacity, available credit facilities and covenant restrictions. The Company's capital management strategy, objectives and definitions have not materially changed during 2017.

19 Subsequent events

On April 5, 2018 it was announced that Gypsum Management and Supply, Inc "GMS", has agreed to acquire 100% of the equity interests of Master Titan Holdings LP for total consideration of $800,000,000. The transaction was approved by the Competition Bureau of Canada on April 11, 2018 and is expected to close in the second calendar quarter of 2018, subject to other customary closing conditions.

As a result of the transaction, certain contingent consideration along with other long term payables, long term debt and the Class B-1 of $11,040,000 and Class B-2 units of $11,040,000 will become immediately repayable at time of closing. Given the completion of this transaction represents a liquidity event, the 100,000 Class A special unit options and the 76,924 Class B special units will be redeemable for Class A-1 units and the loans receivable from related parties in the amount of $37,924,952 will become immediately repayable under the terms of the agreement.

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Section 4: EX-99.2 (EX-99.2)

Exhibit 99.2

GMS INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of GMS Inc. ("GMS") and Master Titan Holdings LP (referred to herein as "WSB Titan" or "Titan") after giving effect to the Titan Transactions. As used herein, the term "Titan Transactions" refers to the following: (i) GMS's acquisition of WSB Titan on June 1, 2018, as further defined in the Securities Purchase Agreement filed in GMS's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2018; (ii) the Debt Financing (as defined herein); and (iii) the issuance of equity that is exchangeable for GMS common stock to certain members of Titan's management.

The unaudited pro forma condensed combined balance sheet as of April 30, 2018 is presented as if the Titan Transactions occurred on April 30, 2018. The unaudited pro forma condensed combined statement of operations for the year ended April 30, 2018 is presented as if the Titan Transactions occurred on May 1, 2017, the first day of GMS's fiscal year ended April 30, 2018.

Titan has a different fiscal year end than GMS. GMS's fiscal year ends on April 30, while Titan's fiscal year ends on December 31. As the fiscal year ends differ by more than 93 days, pursuant to Rule 11-02(c)(3) of Regulation S-X, Titan's financial information was adjusted for the purpose of preparing the unaudited pro forma condensed combined statement of operations for the year ended April 30, 2018. The historical statement of operations of Titan for the year ended April 30, 2018 was prepared by taking the audited statement of operations for the year ended December 31, 2017, adding the unaudited statement of operations for the four months ended April 30, 2018 and subtracting the unaudited statement of operations for the four months ended April 30, 2017.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting. Accordingly, assets acquired and liabilities assumed are recorded at fair value, with any excess purchase price allocated to goodwill. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed are preliminary and are based upon available information and management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The finalization of the purchase accounting assessment may result in changes to the valuation of tangible and intangible assets acquired and liabilities assumed, which could be material. Accordingly, the pro forma adjustments related to the allocation of consideration transferred are preliminary and have been presented solely for the purpose of providing unaudited pro forma condensed combined financial statements. Management expects to finalize the accounting for the business combination as soon as practicable within the measurement period, but in no event later than one year from closing of the acquisition.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the transactions, (ii) factually supportable and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of the combined company's results of operations or financial position that would have been reported had the Titan Transactions been completed as of the dates presented, and should not be taken as a representation of the combined company's future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and cost savings that may be achieved with respect to the combined companies or the costs necessary to achieve these cost savings and operating synergies.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and accompanying notes of GMS as filed in its Annual Report on Form 10-K for the year ended April 30, 2018 and with the historical consolidated financial statements and accompanying notes of Master Titan Holdings LP as filed in GMS's Current Report on Form 8-K/A on August 15, 2018.

GMS INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF APRIL 30, 2018

	Historical GMS	Historical Titan	Pro Forma Adjustments		Pro Forma Combined
		(in thousands)			
ASSETS					
Current assets:					
Cash and cash equivalents	$ 36,437	$ 30	$ (19,981)	(a)	$ 16,486
Trade accounts and notes receivable, net of allowances	346,450	81,356	—		427,806
Inventories, net	239,223	57,918	4,229	(b)	301,370
Prepaid expenses and other current assets	11,726	5,566	—		17,292

Total current assets	633,836	144,870	(15,752)	762,954
Property and equipment, net	163,582	26,104	11,785 (c)	201,471
Goodwill	427,645	80,735	110,686 (d)	619,066
Intangible assets, net	222,682	79,409	211,186 (e)	513,277
Other assets	6,766	38,355	(33,414) (f)	11,707
Total assets	$ 1,454,511	$ 369,473	$ 284,491	$ 2,108,475
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 116,168	$ 33,018	$ —	$ 149,186
Accrued compensation and employee benefits	56,323	1,205	—	57,528
Other accrued expenses and current liabilities	45,146	6,233	4,618 (g)	57,135
			1,138 (h)	
Current portion of long-term debt	16,284	43,943	(39,751) (i)	20,476
Total current liabilities	233,921	84,399	(33,995)	284,325
Long-term debt, less current portion	579,602	120,985	434,843 (j)	1,135,430
Deferred income taxes, net	10,742	—	6,145 (k)	16,887
Other liabilities	35,088	68,854	(57,829) (h)	46,113
Liabilities to noncontrolling interest holders, less current portion	15,707	—	—	15,707
Total liabilities	875,060	274,238	349,164	1,498,462
Stockholders' equity:				
GMS stockholders' equity				
Common stock	411	—	—	411
Additional paid-in capital	489,007	81,402	(81,402) (l)	489,007
Retained earnings	89,592	13,833	(13,833) (l)	84,974
			(4,618) (g)	
Accumulated other comprehensive income	441	—	—	441
Total GMS stockholders' equity	579,451	95,235	(99,853)	574,833
Noncontrolling interest	—	—	35,180 (m)	35,180
Total stockholders' equity	579,451	95,235	(64,673)	610,013
Total liabilities and stockholders' equity	$ 1,454,511	$ 369,473	$ 284,491	$ 2,108,475

The accompanying notes are an integral part of these pro forma condensed combined financial statements.

GMS INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED APRIL 30, 2018

	Historical GMS	Historical Titan	Pro Forma Adjustments	Pro Forma Combined
	(in thousands, except per share data)			
Net sales	$ 2,511,469	$ 478,404	$ —	$ 2,989,873
Cost of sales (exclusive of depreciation and amortization shown separately below)	1,692,893	314,832	—	2,007,725
Gross profit	818,576	163,572	—	982,148
Operating expenses:				
Selling, general and administrative	633,877	120,431	(24,937) (n)	729,371
Depreciation and amortization	65,530	24,184	22,554 (o)	112,268
Total operating expenses	699,407	144,615	(2,383)	841,639
Operating income	119,169	18,957	2,383	140,509
Other (expense) income:				
Interest expense	(31,395)	(8,071)	(15,532) (p)	(54,998)
Change in fair value of financial instruments	(6,125)	—	5,109 (q)	(1,016)
Write-off of debt discount and deferred financing fees	(74)	—	—	(74)
Other income, net	2,279	1,008	—	3,287
Total other expense, net	(35,315)	(7,063)	(10,423)	(52,801)
Income before taxes	83,854	11,894	(8,040)	87,708
Provision for income taxes	20,883	—	(2,131) (r)	18,752
Net income	62,971	11,894	(5,909)	68,956
Less: Net income attributable to noncontrolling interests	—	—	1,847 (s)	1,847
Net income attributable to common stockholders	$ 62,971	$ 11,894	$ (7,756)	$ 67,109
Weighted average common shares outstanding				

Basic	41,015		41,015
Diluted	42,163		42,163
Net income per share			
Basic	$ 1.54	(s)	$ 1.64
Diluted	$ 1.49	(s)	$ 1.59

The accompanying notes are an integral part of these pro forma condensed combined financial statements.

GMS INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The following unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of GMS Inc. ("GMS") and Master Titan Holdings LP (referred to herein as "WSB Titan" or "Titan") after giving effect to the Titan Transactions. As used herein, the term "Titan Transactions" refers to the following: (i) GMS's acquisition of WSB Titan on June 1, 2018, as further defined in the Securities Purchase Agreement filed in GMS's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 5, 2018; (ii) the Debt Financing (as defined herein); and (iii) the issuance of equity that is exchangeable for GMS common stock to certain members of Titan's management.

The unaudited pro forma condensed combined balance sheet as of April 30, 2018 is presented as if the Titan Transactions occurred on April 30, 2018. The unaudited pro forma condensed combined statement of operations for the year ended April 30, 2018 is presented as if the Titan Transactions occurred on May 1, 2017, the first day of GMS's fiscal year ended April 30, 2018.

Titan has a different fiscal year end than GMS. GMS's fiscal year ends on April 30, while Titan's fiscal year ends on December 31. As the fiscal years differ by more than 93 days, pursuant to Rule 11-02(c)(3) of Regulation S-X, Titan's financial information was adjusted for the purpose of preparing the unaudited pro forma condensed combined statement of operations for the fiscal year ended April 30, 2018. The historical statement of operations of Titan for the fiscal year ended April 30, 2018 was prepared by taking the audited statement of operations for the year ended December 31, 2017, adding the unaudited statement of operations for the four months April 30, 2018 and subtracting the unaudited statement of operations for the four months ended April 30, 2017.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting. Accordingly, assets acquired and liabilities assumed are recorded at fair value, with any excess purchase price allocated to goodwill. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed are preliminary and are based upon available information and management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The finalization of the purchase accounting assessment may result in changes to the valuation of tangible and intangible assets acquired and liabilities assumed, which could be material. The pro forma adjustments related to the allocation of consideration transferred are preliminary and have been presented solely for the purpose of providing unaudited pro forma condensed combined statements of operations. Management expects to finalize the accounting for the business combination as soon as practicable within the measurement period, but in no event later than one year from closing of the acquisition.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the transactions, (ii) factually supportable and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial statements are not intended to represent or be indicative of the combined company's results of operations or financial position that would have been reported had the Titan Transactions been completed as of the dates presented, and should not be taken as a representation of the combined company's future consolidated results of operations or financial position. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies and cost savings that may be achieved with respect to the combined companies or the costs necessary to achieve these cost savings and operating synergies.

2. Description of Transactions

On June 1, 2018, GMS acquired all of the outstanding equity interests of Titan, a distributer of drywall, lumber, commercial and residential building materials. Titan is Canada's largest gypsum specialty dealer with 30 locations across five provinces in Canada. The aggregate purchase price was $627.0 million (C$800.0 million), subject to a working capital and certain other adjustments as set forth in the Securities Purchase Agreement. As part of the consideration, certain members of Titan's management converted a portion of their ownership position into 1.1 million shares of equity that are exchangeable for GMS common stock.

To finance this transaction, on June 1, 2018, GMS entered into a Third Amendment to its First Lien Credit Agreement (the "Third Amendment") that provides for a new first lien term loan facility under the Credit Agreement in the aggregate principal amount of $996.8 million due in June 2025 that bears interest at a floating rate based on LIBOR, with a 0% floor, plus 2.75%, representing a 25 basis point improvement compared to the interest rate of the existing first lien term loan facility under the Credit Agreement immediately prior to giving effect to the Third Amendment. GMS also drew down $143.0 million under its Asset Backed Lending Facility ("ABL Facility"). The net proceeds from the new first lien term loan facility, ABL Facility and cash on hand were used to repay GMS's existing first lien term loan facility of $571.8 million under the Credit Agreement and to finance its acquisition of Titan. As used herein, the term "Debt Financing" refers to following: (i) the new first lien term loan facility of $996.8 million; (ii) the ABL Facility draw down of $143.0 million; and (iii) the repayment of the existing first lien term loan facility of $571.8 million.

The preliminary fair value of consideration transferred was $615.2 million, which consisted of $580.0 million in cash paid to acquire Titan and $35.2 million for the fair value of 1.1 million shares of equity issued to certain members of Titan's management that are exchangeable for GMS common stock. Part of the cash consideration transferred was used to repay certain indebtedness of Titan and settle certain contingent consideration arrangements of Titan. GMS also assumed certain contingent consideration arrangements that relate to Titan's previous acquisitions. The contingent consideration arrangements are based on performance of the business and are payable in cash in fiscal 2019 and fiscal 2020.

The assets acquired and liabilities assumed of Titan will be recognized at their acquisition date fair values. The allocation of the consideration transferred to the assets acquired and liabilities assumed of Titan (and the related estimated lives of depreciable tangible and identifiable intangible assets) will require a significant amount of judgment. The following table summarizes the preliminary fair value of consideration transferred and the preliminary allocation to assets acquired and liabilities assumed based on currently available information. Such final identification of all assets acquired and liabilities assumed and allocation of consideration transferred may be significantly different than that reflected below (in thousands).

Fair value of consideration transferred	$	615,181
Preliminary allocation of consideration transferred:		
Accounts receivable		81,356
Inventories		62,147
Property and equipment		37,889
Other assets		10,537
Intangible assets		290,595
Goodwill		191,421
Accounts payable and accrued expenses		(40,456)
Deferred tax liability		(6,145)
Contingent consideration		(12,163)
Total fair value of consideration transferred	$	615,181

The following table summarizes the preliminary components of intangible assets acquired in connection with the Titan acquisition (dollars in thousands):

		Fair Value	Useful Life (Years)
Customer relationships	$	251,102	10 - 15
Tradenames		30,603	20
Developed technology		5,493	5
Non-compete agreements		3,060	3
Other		337	1 - 7
Total intangibles assets	$	290,595	

The Company estimated the preliminary fair values of acquired customer relationships using the multi-period excess earnings method. The Company estimated the preliminary fair values of acquired tradenames and developed technology using the relief from royalty method. The Company estimated the preliminary fair value of non-compete agreements using the with and without method. Under these methods, the fair value models incorporate estimates of future cash flows, estimates of allocations of certain assets and cash flows, estimates of future growth rates, and management's judgment regarding the applicable discount rates to use to discount such estimates of cash flows.

3. Reclassifications

Certain reclassifications have been made to conform Titan's historical amounts to GMS's presentation. More specifically, Titan's accounts payable and accrued expenses was reclassified into three separate line items, which include accounts payable, accrued compensation and employee benefits and other accrued expenses and current liabilities.

4. Foreign Currency Translation

The reporting currency of GMS is the U.S. dollar. The functional currency of Titan is the Canadian dollar. The assets and liabilities of Titan were translated into U.S. dollars at the end-of-period exchange rate of US$0.7847/C$, and monthly revenues and expenses of Titan were translated into U.S. dollars using an average monthly exchange rate of US$0.7816/C$.

5. Accounting Policies

Titan's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. GMS has performed a preliminary review of Titan's accounting policies based on available information and discussions with Titan management to determine whether any adjustments were necessary to ensure the comparability in the pro forma condensed combined financial statements with GMS's accounting policies and with U.S. Generally Accepted Accounting Principles ("GAAP"). GMS is not aware of any differences, at this time, that would have a material impact on the pro forma condensed combined financial statements. After the acquisition, GMS will perform a more detailed review of Titan's accounting policies. As a result of that review, differences in accounting policies may be identified that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements.

6. Unaudited Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

(a) This adjustment reflects the following sources and uses of cash and cash equivalents (in thousands):

Cash consideration paid for Titan	$	(580,001)
Issuance of new First Lien Term Loan		996,840
Repayment of existing First Lien Term Loan		(571,840)
Draw down on ABL Facility		143,000
Payment of financing costs for new First Lien Term Loan		(7,980)
Total adjustment to cash and cash equivalents	$	(19,981)

(b) This adjustment reflects the difference between the preliminary estimated fair value and the historical amount of Titan's inventories. After the acquisition, the step-up in inventory fair value will increase cost of sales as the inventory is sold. This adjustment is not reflected in the unaudited pro forma condensed combined statement of operations because it does not have a continuing impact on the combined entity's results of operations.

(c) This adjustment reflects the difference between the preliminary estimated fair value and the historical amount of Titan's property and equipment.

(d) This adjustment records the preliminary amount allocated to goodwill in connection with the Titan acquisition and eliminates Titan's historical goodwill. The net pro forma adjustment consists of the following (in thousands):

Record preliminary allocation of purchase price to goodwill	$	191,421
Eliminate historical goodwill		(80,735)
Total adjustment to goodwill	$	110,686

(e) This adjustment records the preliminary estimated fair value of identifiable intangible assets of Titan and eliminates Titan's historical intangible assets. The net pro forma adjustment consists of the following (in thousands):

Record preliminary estimated fair value of intangible assets	$	290,595
Eliminate historical intangible assets		(79,409)
Total adjustment to intangible assets	$	211,186

(f) This adjustment reflects the elimination of certain loan receivables that were settled upon closing of the acquisition.

(g) This adjustment reflects the estimate of future transaction costs directly attributable to the acquisition of Titan, including advisory and legal fees. These amounts will be expensed as incurred in the future and are not reflected in the unaudited pro forma condensed combined statement of operations because the expenses do not have a continuing impact on the combined entity's results of operations.

(h) These adjustments reflect adjustments related to certain contingent consideration arrangements. Other accrued expenses and current liabilities includes a $1.1 million increase for the preliminary estimated fair value of liabilities assumed for certain contingent consideration arrangements payable in April 2019 that are determined to be probable and estimable as of the acquisition date. Other liabilities includes an $11.0 million increase for the preliminary estimated fair value of liabilities assumed for certain contingent consideration arrangements payable in April 2020 that are determined to be probable and estimable as of the acquisition date and the elimination of $68.8 million of certain liabilities for contingent consideration that were settled at the closing of the acquisition.

(i) This adjustment reflects a net decrease in the current portion of long-term debt due to the following (in thousands):

Record current portion of new First Lien Term Loan	$ 9,968
Eliminate current portion of existing First Lien Term Loan	(5,776)
Repayment of Titan's current portion of long-term debt	(43,943)
Total adjustment to current portion of long-term debt	$ (39,751)

(j) This adjustment reflects a net increase in long-term debt due to the following (in thousands):

Issuance of new First Lien Term Loan	$ 996,840
Repayment of existing First Lien Term Loan	(571,840)
Draw down on ABL Facility	143,000
Repayment of Titan's long-term debt	(120,985)
Deferred financing costs for new First Lien Term Loan	(7,980)
Total adjustment to debt	439,035
Less: Current portion of First Lien Term Loan	(4,192)
Total adjustment to long-term debt	$ 434,843

(k) This adjustment reflects the preliminary estimated net deferred tax liability established for the tax effects of recognizing the preliminary purchase price allocation, calculated using the Canadian statutory rate of 26.5%.

(l) These adjustments reflect the elimination of Titan's historical equity balances.

(m) This adjustment reflects the issuance of equity by an indirect wholly-owned subsidiary of GMS that is exchangeable for GMS common stock. The preliminary estimated fair value of the 1.1 million exchangeable shares of $35.2 million was determined based on the GMS closing stock price as of April 30, 2018.

(n) This adjustment reflects the elimination of $22.2 million of expenses related to certain contingent consideration arrangements, the majority of which were settled at the closing of the acquisition. This adjustment also reflects the elimination of $2.7 million of transaction costs incurred by GMS, as they reflect costs directly attributable to the acquisition of Titan, but do not have a continuing impact on the combined entity's results of operations. Except as noted, the unaudited pro forma combined statement of operations has not been adjusted for the impact of special items. During the year ended April 30, 2018, Titan recognized $2.0 million of costs not related to ongoing operations, including prior acquisition and start-up costs, prior management fees and other nonrecurring items. The unaudited pro forma combined statement of operations has not been adjusted for the impact of these items.

(o) This adjustment records depreciation and amortization expense based on the estimated fair value of acquired identifiable tangible and intangible assets over their estimated useful lives and eliminates historical depreciation and amortization expense. The net pro forma adjustment consists of the following (in thousands):

	Year Ended April 30, 2018
Record estimated pro forma depreciation	$ 9,505
Eliminate historical depreciation	(7,027)
Record estimated pro forma amortization	37,233
Eliminate historical amortization	(17,157)
Total adjustment to amortization expense	$ 22,554

Depreciation expense for property and equipment was calculated using a declining balance method over their expected useful lives.

Amortization of customer relationships was calculated using an accelerated method to match the estimated cash flow generated by such assets over their estimated useful life. Amortization of trade names, developed technology, non-compete agreements and other intangible assets was calculated on a straight-line basis over the estimated useful lives of the intangible assets. Estimated future amortization for these identifiable intangible assets is $34.1 million and $34.2 million for the fiscal years ending April 30, 2019 and 2020, respectively. See Note 2, "Description of Transactions," for more detail on acquired identifiable intangible assets and estimated useful lives.

(p) This adjustment records a net increase in interest expense due to the following (in thousands):

	Year Ended April 30, 2018
Record interest expense on new First Lien Term Loan	$ 41,490
Eliminate interest expense on existing First Lien Term Loan	(25,517)
Record interest expense on ABL Facility	5,863
Record amortization of deferred financing costs	998
Eliminate historical interest expense on Titan indebtetness	(7,302)
Total adjustment to interest expense	$ 15,532

For purposes of the unaudited pro forma condensed combined financial statements, interest rates ranging from 3.89% to 5.11% were used for the new First Lien Term Loan, which represent a 25 basis point decrease from the interest rates on the existing First Lien Term Loan during the year ended April 30, 2018. An interest rate of 4.1% was used for the ABL Facility. The interest rate used for purposes of the unaudited pro forma condensed combined financial statements may be considerably different than the actual interest rates based on market conditions.

(q) This adjustment reflects the elimination of a $5.1 million loss on the change in fair value of a foreign currency forward contract. In April 2018, in connection with the acquisition of Titan, GMS entered into a foreign currency forward contract to mitigate the foreign currency exchange risk associated with the purchase price that was denominated in Canadian dollars. The foreign currency forward contract effectively fixed the amount GMS paid for the purchase price denominated in Canadian dollars by contracting GMS to pay U.S. dollars and receive Canadian dollars on the notional amount. GMS recognized a $5.1 million loss on the change in fair value of the foreign currency forward contract during the year ended April 30, 2018. This loss is directly attributable to the acquisition of Titan, but does not have a continuing impact on the combined entity's results of operations.

(r) This adjustment reflects the pro forma tax impact of the pro forma adjustments, calculated using the Canadian statutory rate of 26.5%. The pro forma combined provision for income taxes does not reflect the amounts that would have resulted had GMS and Titan filed consolidated income tax returns during the period presented.

(s) Pro forma earnings per share for the year ended April 30, 2018 includes the effect of 1.1 million shares of equity issued by an indirect wholly-owned subsidiary of GMS that is exchangeable for GMS common stock. The exchangeable shares have the right to receive dividends should GMS declare dividends on its common stock. Net income for the period was allocated on a pro-rata basis to the noncontrolling interest. Income attributable to common stockholders was calculated by deducting earnings allocated to the noncontrolling interest from net income.

The following table presents the calculation for basic and diluted earnings per share (in thousands, except per share data):

	Year Ended April 30, 3018
Net income	$ 68,956
Less: Net income attributable to noncontrolling interests	(1,847)
Net income attibutable to common stockholders	$ 67,109
Basic earnings per common share:	
Basic weighted average common shares outstanding	41,015
Basic earnings per common share	$ 1.64
Diluted earnings per common share:	
Basic weighted average shares outstanding	41,015
Add: Common Stock Equivalents	1,148
Diluted weighted average common shares outstanding	42,163
Basic earnings per common share	$ 1.59

7. Quarterly Pro Forma Information

The following table presents unaudited pro forma combined net sales for each quarter in the year ended April 30, 2018 (in thousands):

	Year Ended April 30, 2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Historical GMS net sales	$ 642,157	$ 648,004	$ 585,508	$ 635,800
Historical Titan net sales	125,677	129,142	107,697	115,888

Total pro forma combined net sales	$ 767,834	$ 777,146	$ 693,205	$ 751,688

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