STARK Group A/S

C.F. Richs Vej 115
2000 Frederiksberg
Denmark

CVR No. 27 06 53 33

Annual Report

1 August 2017 to 31 July 2018

The Annual Report was
presented and adopted
at the Annual General
meeting on 21 December 2018

Laurits Anton Jørgensen

Contents

Management's Statement on the Consolidated Financial Statements

The Board of Directors and Executive Board have today considered and adopted the Annual Report of STARK Group A/S for the financial year 1 August 2017 to 31 July 2018.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union and the Financial Statements of the Parent company have been prepared in accordance with the Danish Financial Statements Act. The consolidated Financial Statements and the Financial Statements of the Parent company have furthermore been prepared in accordance with additional Danish disclosure requirements. Management's Review has been prepared in accordance with Danish disclosure requirements.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent company give a true and fair view of the financial position at 31 July 2018 of the Group and the Parent company and of the results of the Group and the Parent company operations and of the Group's cash flow for the financial year 2017/18.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent company, and the results for the year and of the financial position of the Group and the Parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent company.

We recommend that the consolidated financial statements be approved at the Annual General Meeting.

Copenhagen, on 21 December 2018

Executive Board

Søren P. Olesen	Sisse Fjelsted Rasmussen

Board of Directors

Laurits Anton Jørgensen	Daniel Robert Potok	Lene Kjærbo Groth

Independent auditor's report

To the shareholder of STARK Group A/S

Opinion

We have audited the Consolidated Financial Statements and the Financial Statements of STARK Group A/S for the financial year 1 August 2017 – 31 July 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the Financial Statements of the Parent company are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 July 2018, and of the results of its operations and cash flows for the financial year 1 August 2017 – 31 July 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the Financial Statements of the Parent company give a true and fair view of the Parent's financial position at 31 July 2018, and of the results of its operations for the financial year 1 August 2017 – 31 July 2018.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ***Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements*** section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's review

Management is responsible for Management's review.

Our opinion on the Consolidated Financial Statements and the Financial Statements of the Parent company does not cover Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Financial Statements of the Parent company, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the Consolidated Financial Statements and the Financial Statements of the Parent company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's review is in accordance with the Consolidated Financial Statements and the Financial Statements of the Parent company and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's review.

Management's responsibilities for the Consolidated Financial Statements and the Financial Statements of the Parent company

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Financial Statements of the Parent company, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the Consolidated Financial Statements and the Financial Statements of the Parent company unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and the Financial Statements of the Parent company

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Financial Statements of the Parent company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Financial Statements of the Parent company, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Financial Statements of the Parent company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements and the Financial Statements of the Parent company, including the disclosures in the notes, and whether the Consolidated Financial Statements and the Financial Statements of the Parent company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 21 December 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised
Public Accountant
mne10944

Company Information

Company	STARK Group A/S C. F. Richs Vej 115 2000 Frederiksberg Denmark CVR No. 27 06 53 33 Financial period: 1 August - 31 July Incorporated: 17 March 2003 Financial year: 15th financial year
Executive Board	Søren Peschardt Olesen (CEO) Sisse Fjelsted Rasmussen (CFO)
Board of Directors	Laurits Anton Jørgensen (Chairman) Daniel Robert Potok Lene Kjærbo Groth
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 DK-2300 København
Annual General Meeting	21 December 2018

Management's review

Financial highlights for the Group[1]

EUR million	2017/18	2016/17	2015/16	2014/15
Income statement				
Net sales	2,206	2,214	2,250	2,246
Gross profit	551	531	555	563
EBITDA	173	42	105	113
EBIT	148	13	74	85
Financial items, net	(8)	(4)	(4)	(4)
Results before tax	140	9	70	81
Results from discontinued operations	(1)	(5)	4	3
Results for the year	109	(1)	47	61
Balance sheet				
Total assets	1,143	1,264	1,314	1,413
Equity	319	303	303	263
Investments in property, plant and equipment	48	53	43	43
Cash flow				
Cash flow from operating activities	103	62	74	111
Cash flow from investing activities	145	(53)	(37)	(46)
Free cash flow	248	9	37	65
Financial ratios[2]				
Net sales growth (%)	-0.4%	-1.6%	0.2%	-
Gross profit growth (%)	3.8%	-4.3%	-1.4%	-
Gross margin	25.0%	24.0%	24.7%	25.1%
EBITDA margin	7.8%	1.9%	4.7%	5.0%
EBIT margin	6.7%	0.6%	3.3%	3.8%
Return on assets	12.9%	1.0%	5.6%	6.0%
Solvencio ratio	27.9%	24.0%	23.1%	18.6%
Return on Equity	35.0%	(0.3%)	16.6%	23.2%
Key ratios for the on-going business[3/4]				
Net sales on-going business[5]	2,206	2,151	-	-
Net sales growth on-going business (%)	2.6%	-	-	-
Adjusted gross profit[6]	555	532	-	-
Adjusted gross profit growth (%)	4.3%	-	-	-
Adjusted gross profit margin (%)	25.2%	24.7%	-	-
Adjusted EBITDA[7]	101	93	-	-
Adjusted EBITDA growth (%)	8.6%	-	-	-
Adjusted EBITDA margin (%)	4.6%	4.3%	-	-
Adjusted EBIT[8]	76	64	-	-
Organic net sales growth (%)[9]	3.8%	-	-	-
Organic EBITDA growth (%)[10]	10.3%	-	-	-
Net sales on-going business by area:				
Stark DK	924	892	-	-
Stark FI	563	553	-	-
Beijer	575	554	-	-
Neumann	144	152	-	-

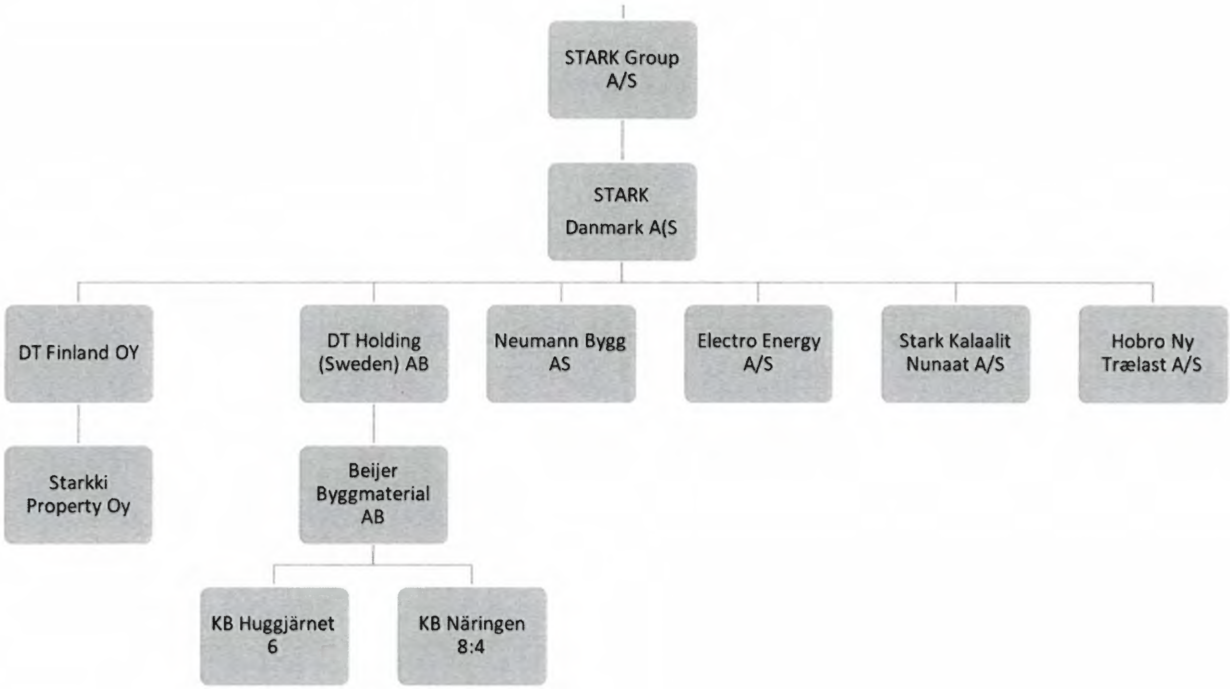
1. Stark Group A/S prepared consolidated figures for 2014/15 – 2016/17 in connection with Lone Star acquiring the Group, which were published in the Bond Offering Memorandum of LSF10 Wolverine Investments S.C.A dated 8 March 2018". No consolidated figures are available for 2013/14 and therefore, Financial Highlights only include four years' figures with the below modifications."
   This year a number of adjusted figures and ratios have been added to support the analysis of the underlying performance of the group. For these figures and ratios we only present comparison numbers for the year 2016/17.
2. The financial ratios have been prepared in accordance with the guidelines issued by the Danish Society of Financial Analysts.
3. Exceptional items are items of a material and non-recurring nature which are adjusted for to provide a better understanding of the underlying performance of the Group.
4. Non-ongoing business relates to a number of branches closed during the year ended July 31, 2017.
5. Net sales on-going business is defined as net sales excluding non-ongoing business.
6. Adjusted gross profit is defined as gross profit excluding non-ongoing business and exceptional items.
7. Adjusted EBITDA is defined as EBITDA excluding non-ongoing business and exceptional items.
8. Adjusted EBIT is defined as EBIT excluding non-ongoing business and exceptional items.
9. Organic net sales growth is defined as growth in net sales on-going business excluding impact from currencies.
10. Organic EBITDA growth is defined as growth in adjusted EBITDA excluding impact from currencies.

STARK GROUP

STARK Group is the leading non-franchise builders' merchant in the Nordics serving the professional craftsmen and enterprises within the construction and renovation industry from 181 branches across Denmark, Finland, Sweden, Norway and Greenland.

STARK Group operates its business through four business units across the Nordics and as of 31 July 2018, the Group directly operated 66 branches in Denmark, with an additional six branches in Greenland, under the STARK DK business unit, 27 branches in Finland under the STARK FI business unit, 68 branches in Sweden under the Beijer business unit and 14 branches in Norway under the Neumann business unit.

Our group structure is shown below:



EVENTS IN THE YEAR

The financial year 2017/18 has been a remarkable and challenging year for Stark Group marked by change of ownership, internal reorganisation and implementation of a new strategy after the sale of the DIY chain Silvan. Based on this, we are very pleased that the year delivered top line growth in local currencies and improved margins as our strategic initiatives to drive profitable growth have worked.

We have worked diligently with the continued implementation and execution of our "Back to Basics" strategy. During the year 2016/17 we closed of number of branches to optimize our network and in August 2017 we divested our DIY chain Silvan to further enhance our focus on the B2B segment.

One of the main components of our strategy is our focus on small and medium-sized enterprises. We aim to leverage and enhance our leading position in this segment and continuously strive to become the preferred partner for our customers across our business units. In the past year we have also continued our strategy of decentralizing and focusing to empower our business units, and we have been working hard to optimize our go-to-market models, network, sourcing and assortments to fit the needs of our customers and enhance profitability.

We are very satisfied with the results of this strategic turn-around and especially we are proud to witness the impressive effort from all our people throughout this period of change and reconfiguration, which has enabled us to successfully navigate the business and create very satisfactory results.

In March 2018, the ownership of Stark Group changed when we were acquired by Lone Star PE. We are excited to cooperate with a new dedicated owner to create even better results going forward.

FINANCIAL HIGHLIGTS

Sale of Silvan

In alignment with the new strategy, the DYI chain Silvan was divested to Aurelius Group as of 31 August 2018. As such, Silvan is reported as discontinued operations in the years ended 31 July 2018 and 2017.

Acquisition of Stark Group by Lone Star PE

On 29 March 2018, LSF10 Bidco Wolverine ApS acquired 100% of the shares in STARK Group A/S from the former owner, Ferguson plc in UK. LSF10 Bidco Wolverine ApS is ultimately owned by the U.S.-based private equity firm Lone Star.

Financial review of the on-going business

The above-mentioned change in ownership and our strategic initiatives have also impacted our financial performance. The reported profit and loss statement for FY17/18 is net positively impacted by non-recurring items related to these initiatives and transactions including a one-off gain from sale of properties no longer related to the on-going business. Further, the year 2016/17 was impacted by the closed branches, which we categorize as non-ongoing business.

In order to better understand and analyze the underlying performance for the Group, we have below included adjusted numbers for the on-going operations where we exclude the non-recurring items and impact from the non-ongoing business.

When comparing the performance for FY17/18 with last year's performance the following main adjustments have been made:

FY16/17

- The impact of the closure of 30 underperforming branches, which were closed down over the period January 2017 to April 2017
- Non-recurring costs related to implementation of the new strategy
- Losses from sale of property, plant and equipment in Denmark
- Costs related to the sale of STARK Group as well as other items related to the non-ongoing business

FY17/18

- Non-recurring costs related to implementation of the new strategy
- Gain from sale of selected properties no longer related to the on-going business
- Costs related to the sale of STARK Group as well as other items related to the non-ongoing business

Please see below table for the impact of these adjustment on the profit and loss statement in order to show the underlying performance of the on-going business:

EUR million	2017/18 Adjusted on-going business	2017/18 Adjust-ments	2017/18 As reported	2016/17 Adjusted on-going business	2016/17 Adjust-ments	2016/17 As reported
Continuing operations						
Net sales	2,206	-	2,206	2,151	63	2,214
Cost of sales	(1,651)	(4)	(1,655)	(1,619)	(64)	(1,683)
Gross Profit	**555**	**(4)**	**551**	**532**	**(1)**	**531**
Other external operating expenses	(160)	(14)	(174)	(141)	(24)	(165)
Staff costs	(294)	(6)	(300)	(298)	(18)	(316)
Other operating income	-	97	97	-	(8)	(8)
Other operating expenses	-	(1)	(1)	-	-	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**101**	**72**	**173**	**93**	**(51)**	**42**

Net sales for the ongoing business increased by EUR 55 million, or 2.6%, to EUR 2,206 million in FY2017/18 from EUR 2,151 million in FY16/17. This increase was driven by growth in three of our four business units as a result of strong customer demand as well as the effect from our initiatives to drive top-line growth in line with management strategy. However, the colder and longer than usual winter had a negative impact on net sales in third quarter FY17/18 compared to third quarter FY16/17. Excluding the effects of the colder and longer than usual winter, the business continued the strong performance, and we believe that we have continued gaining market share in the Nordic region during the year. In the last part of FY17/18 we faced currency headwinds from the devaluation of the SEK and NOK. In fixed currencies the growth in net sales for the ongoing business was 3.8%.

Gross profit for the ongoing business increased by EUR 23 million, or 4.3%, to EUR 555 million in FY17/18 from EUR 532 million in FY16/17. This increase was primarily driven by an increase in sales in our higher gross margin business in Sweden and better pricing in

Denmark, in line with management strategy. In Finland, gross margin was improved as a result of management decision to discontinue unprofitable branches and customers while Norway had a gross margin in line with last year.

Adjusted EBITDA increased by EUR 8 million, or 8.6%, to EUR 101 million in FY17/18 from EUR 93 million in FY16/17. This increase was primarily driven by the increase in gross profit and improved cost management. In fixed currencies the growth in adjusted EBITDA was 10.3%.

The results before tax in FY 17/18 of EUR 140 million was an increase of EUR 131 million compared to FY16/17. The significant increase is primarily due to the good performance from the on-going business and the gain from sale of the properties no longer related to the on-going business, which was only partly offset by non-recurring expenses in FY17/18.

Tax for the year amounted to EUR 30 million (FY16/17: EUR 5 million) and the effective tax rate was 21.4% in FY17/18 (FY16/17: 55.5%).

Results for the year from continuing operations was EUR 110 million (FY16/17: EUR 4 million).

Results for the year from discontinued operations was a loss of EUR 1 million compared to a loss in FY16/17 of EUR 5 million. Discontinued operations include the results from Silvan until 31 August 2017, where the divestment took place.

Results for the year was a profit of EUR 109 million in FY17/18 compared to a loss of EUR 1 million in FY16/17. The results for FY17/18 are as expected when taking non-recurring items into consideration.

Balance sheet

Total assets decreased by EUR 121 million during FY17/18 from EUR 1,264 million as of 31 July 2017 to EUR 1,143 million as of 31 July 2018. The decrease was primarily due to the sale of the properties no longer related to the on-going business.

Net working capital for the Group as of July 31, 2018, decreased by EUR 62 million from net working capital of EUR (67) million as of July 31, 2017, to net working capital of EUR (129) million as of July 31, 2018. The decrease was primarily driven by an increase in trade and other payables which only partly was offset by an increase in inventories. The increase in inventories was primarily due to a ramp up of inventory in Stark DK to pre-empt price increases in timber and a change in assortment in line with the strategic initiatives. Trade and other receivables decreased by EUR 11 million due to a tighter follow-up process and greater focus on working capital in the business.

Net working capital	**As of**	
EUR million	**31 July 2018**	**31 July 2017**
Inventories	273	258
Trade and other receivables	265	276
Trade and other payables	(667)	(601)
Net working capital	**(129)**	**(67)**

Equity increased by EUR 16 million in FY17/18 from EUR 303 million as of 31 July 2017 to EUR 319 million as of 31 July 2018. The increase was primarily due to the results for the year of EUR 109 million reduced by payment of interim dividend of EUR 78 million.

Cash flow

Cash flow from operating activities in FY17/18 amounted to an inflow of EUR 103 million, primarily as a result of the positive results for the year and decreasing working capital, specifically an increase in trade and other payables.

Cash flows from investing activities in FY17/18 amounted to an inflow of EUR 145 million. Properties no longer related to the on-going business were sold to other Ferguson plc group entities resulting in a cash inflow of EUR 195 million. This cash inflow was partly offset by capital expenditure, mainly related to a new distribution center for STARK DK and investments in certain of our Beijer branches including two new locations.

Cash flows from financing activities in FY17/18 were an outflow of EUR 121 million, driven by the repayment of most of the secured long-term bank loans on September 30, 2017 and payment of interim dividend of EUR 78 million, which was partly offset by payments received from related parties.

CORPORATE SOCIAL RESPONSIBILITY

STARK Group's sustainability framework addresses the most significant topics in respect of our aim to support sustainability, improve employee engagement and address our top risks and stakeholder expectations. As the largest building materials supplier in the Nordics, we have a responsibility to source our products responsibly, drive efficient and safe operations and to make sustainable products available to our customers. We support sustainable construction to reduce energy consumption, improve material efficiency and through the reduction of hazardous substances, support increased circularity. We strive to make these topics an integral part of how we do business.

Therefore, our STARK Group values support sustainable performance. We act with decency, we strive for continuous improvement and we value our people. Each of these values support our actions to address our most material sustainability issues and our strategic focus.

STARK Group has policies to address material risks regarding amongst other issues, environmental, health and safety, human rights, trade compliance, risk management, anti-corruption and bribery. STARK Group continuously monitors the performance of these issues through a combination of key-performance indicators, dashboards and surveys.

Results of STARK Groups sustainability work as well as our aims for the coming years are available in the STARK Group sustainability report, covering the financial year 1 August 2017 to 31 July 2018 and representing the corporate social responsibility presentation of STARK Group as required by Sections 99a and 99b of the Danish Financial Statements Act. The sustainability report is a supplementary report to this annual report and is available at the following web address: https://starkgroup.dk/about/sustainability.

EMPLOYEE ENGAGEMENT

The level of engagement of our people is crucial in delivering on our strategic goals and maintaining customer loyalty and the overall sustainability of the business. Our teams in sales, branches, logistics and distribution centers are the local face of our business. Their relationships with both large and small customers are critical to our success and their expert knowledge means they are a key part of our customers' workday.

We value the effort contributed from all the employees in the Group during the past year, where we managed to develop and improve the underlying business of STARK Group in the same time as we supported the process of selling the Group to our new owners.

In STARK Group a new engagement survey has been adapted and carried out in all business units during FY17/18. Challenges, root causes and opportunities for improvements have been identified and action plans have been initiated locally, regionally and nationally. During the past year, where significant changes have been underway, employee engagement (satisfaction & motivation) survey score was measured at 73, which is significantly higher than the industry average of 68. Furthermore, the participation rate was 81% of total employees – we aim for 88% for the FY18/19 survey. The average seniority within STARK Group is 9 years and 10 months, showing a high level of loyalty.

EXPECTATIONS TO FY18/19

The performance of the Group is to a large extent dependent on the general macroeconomic conditions as well as the activity in the construction, building and renovation sector which drives the demands from our customers. The Group operates in 4 geographic markets with customers of varying sizes, which makes the Group less sensitive to regional changes in economic cycles and has a cost structure and an operating leverage with a significant downside protection during periods of adverse economic conditions.

Based on the current market conditions and exchange rates, and the positive impact from the strategic initiatives, the Group expects to deliver improved underlying performance in FY 18/19 through growth in both net sales and adjusted EBITDA compared to FY 17/18.

SUBSEQUENT EVENTS

STARK Group sees it as an opportunity to participate in the consolidation of the industry and further strengthen our market leading position in the Nordics through an active and disciplined M&A strategy.

The Group has subsequent to year-end completed two acquisitions in Sweden. The acquisition of Byggvaruhuset i Trelleborg AB was completed on 3 September 2018 and includes a branch in Trelleborg and a small plant producing rafters. The second acquisition of Nacka Trä och Byggvaror, Sven Gustaffson AB, who is operating the business of Bygg-Ole, was completed end of November 2018 adding more than EUR 70 million of net sales, 200 new colleagues, four stores and two logistic hubs in the Stockholm area.

These acquisitions will strengthen Beijer's market leading position as the number one non-franchise builders' merchant in Sweden and bring additional opportunities for scale benefits in combination with the rest of the STARK Group.

Consolidated Income Statement 1 August - 31 July

Note	EUR million	2017/18	2016/17
	Continuing operations		
2	Net sales	2.206	2.214
	Cost of sales	(1.655)	(1.683)
	Gross Profit	**551**	**531**
	Other external operating expenses	(174)	(165)
3	Staff costs	(300)	(316)
4	Other operating income	97	-
	Other operating expenses	(1)	(8)
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**173**	**42**
5	Depreciation, amortisation and writedown of non-current assets	(25)	(29)
	Earnings before interest and tax (EBIT)	**148**	**13**
6	Financial income	1	3
7	Financial expenses	(9)	(7)
	Results before tax	**140**	**9**
8	Tax for the year	(30)	(5)
	Results for the year from continuing operations	**110**	**4**
	Discontinued operations		
9	Results for the year from discontinued operations	(1)	(5)
	Results for the year	**109**	**(1)**

Statement of Consolidated Comprehensive Income 1 August - 31 July

EUR million		2017/18	2016/17
Note			
	Results for the year	**109**	**(1)**
	Other comprehensive income/(expense) for the year		
	Items that may be reclassified subsequently to profit or loss:		
	Exchange loss on translation of foreign operations	(10)	-
	Items that will not be reclassified to profit or loss		
	Actuarial gain/(loss) on retirement benefit plans	(6)	2
	Tax on actuarial gain/(loss)on retirement benefit plans	1	(1)
	Other comprehensive income/(expense) for the year	(15)	1
	Total comprehensive income/(expense) for the year attributable to shareholders of the Company	**94**	**0**

Consolidated Statement of Financial Position as of 31 July

Assets as of 31 July

Note	EUR million	2018	2017
	Non-current assets		
	Intangible non-current assets		
10	Other intangible assets	11	12
	Total intangible non-current assets	**11**	**12**
	Tangible non-current assets		
11	Property	297	387
12	Plant and equipment	31	29
13	Non-currents assets under construction and prepayments for non-current assets	19	14
	Total tangible non-current assets	**347**	**430**
	Financial non-current assets		
	Investment in a joint venture	1	1
19	Deferred tax assets	13	9
31	Receivables from related parties	42	-
15	Trade and other receivables	-	1
	Total financial non-current assets	**56**	**11**
	Total non-current assets	**414**	**453**
	Current assets		
14	Inventories	273	258
15	Trade and other receivables	265	276
	Receivables from related parties companies	-	97
	Corporate tax receivables	1	13
	Cash and cash equivalents	189	97
	Total current assets	**728**	**741**
16	Assets held for sale	1	70
	Total assets	**1.143**	**1.264**

Consolidated Statement of Financial Position as of 31 July

Equity and Liabilities as of 31 July

Note	EUR million	2018	2017
	Equity		
17	Share capital	1	1
	Translation reserve	(15)	(5)
	Retained earnings	298	307
	Proposed dividend	35	-
	Total equity	**319**	**303**
	Non-current liabilities		
19	Deferred tax	17	6
20	Other provisions	5	7
21	Employee benefit obligations	50	47
31	Payables to related parties	24	-
22	Banks and credit institutions	6	-
	Total non-current liabilities	**102**	**60**
	Current liabilities		
21	Employee benefit obligations	2	2
22	Banks and credit institutions	-	119
	Trade and other payables	667	601
20	Other provisions	12	23
31	Payables to related parties	35	57
	Corporate tax payable	6	29
	Total current liabilities	**722**	**831**
16	Liabilities relating to held for sale	-	70
	Total liabilities	**824**	**961**
	Total equity and liabilities	**1.143**	**1.264**

Consolidated Statement of Changes in Equity

EUR million

Note		Share capital	Translation reserve	Retained earnings	Dividend	Total equity
	Equity at 1 August 2016	**1**	**(5)**	**307**	**-**	**303**
	Changes in equity for 2016/17					
18	Distribution of profit	-	-	(1)	-	(1)
	Other comprehensive income	-	-	1	-	1
	Comprehensive income	**-**	**-**	**-**	**-**	**-**
	Equity at 31 July 2017	**1**	**(5)**	**307**	**-**	**303**
	Equity at 1 August 2017	**1**	**(5)**	**307**	**-**	**303**
	Changes in equity for 2017/18					
18	Distribution of profit	-	-	(4)	113	109
	Other comprehensive income	-	(10)	(5)	-	(15)
	Interim dividend paid	-	-	-	(78)	(78)
	Comprehensive income	**-**	**(10)**	**(9)**	**35**	**16**
	Equity at 31 July 2018	**1**	**(15)**	**298**	**35**	**319**

Consolidated Cash Flow Statement 1 August - 31 July

Note	EUR million	2017/18	2016/17
	Result for the year	109	(1)
23	Adjustments for non-cash items	(34)	51
24	Changes in working capital	42	23
	(Decrease)/increase in provisions and other liabilities	(11)	8
	Cash flow from operating activities before financial items and tax	106	81
	Interest received	1	3
	Interest paid	(9)	(7)
	Tax paid	5	(15)
	Cash flow from operating activities	**103**	**62**
	Cash flow from investing activities		
25	Acquisition of businesses (net of cash acquired)	-	(7)
26	Disposal of businesses (net of cash disposed of)	4	-
	Purchase of property, plant and equipment	(48)	(53)
	Proceeds from sale of property, plant and equipment	195	9
	Purchase of intangible assets	(6)	(2)
	Cash flow from investing activities	**145**	**(53)**
	Free cash flow	**248**	**9**
	Cash flow from financing activities		
	Repayments of related party borrowings	28	(4)
	Repayments of other borrowings	(83)	(62)
	Proceeds loans from related party	12	-
	Dividend paid	(78)	-
	Cash flow from financing activities	**(121)**	**(66)**
	Net cash (used)/generated	**127**	**(57)**
	Effects of exchange rate changes	(5)	1
	Net (decrease)/increase in cash and cash equivalents	**122**	**(56)**
	Cash and cash equivalents at the beginning of the year	67	123
	Cash and cash equivalents at the end of the year	**189**	**67**

Overview of notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. Accounting policies and critical estimates and judgements

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional disclosure requirements in the Danish Financial Statements Act for reporting class C - big companies.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial assets that are measured at fair value.

The consolidated financial statements are presented in Euros, which is the presentational currency of the Group.

Accounting developments and changes

The following standards have been published, but not yet applied:

a) IFRS 9 *"Financial Instruments"*

b) IFRS 15 *"Revenue from Contracts with Customers"*

c) IFRS 16 *"Leasing"*

d) IFRS 17 *"Insurance Contracts"*

The Directors anticipate that the adoption of IFRS 9, IFRS 15 and IFRS 17 in future periods will have no material impact on the financial statements of the Group but are still assessing the impact.

IFRS 16 "Leases" replaces IAS 17. The new standard significantly changes the accounting treatment of leases currently treated as operating leases, as the Group, being a lessee (with a few exceptions), should recognise all types of leases as assets and the related lease obligations as liabilities on the balance sheet.

Whilst the Group's business model is based on owning rather than leasing property, with few exceptions, there are a number of vehicles, fixtures and equipment that are primarily held under operating leases. We refer to note 27 in this regard.

IFRS 16 requires leases to recognise nearly all leases on the balance sheet. Management has estimated that the expected impact of the standard will have impact on the recognition of tangible assets and financial debt on the balance sheet.

Under IAS 17, operating lease cost is recognised in the income statement as "cost of sales" and "other external costs". Under IFRS 16, the cost of the lease, will comprise of two elements – depreciation and interest expense – which will be charged to the income statement in respective lines.

We expect that the reclassification of lease expense will increase operating profit, as the lease expense includes an interest element, which will be recognised as a financial item under the new standard.

In the statement of cash flows, operating lease payments are currently presented as part of cash flow from operating activities. Going forward, operating lease payments will be presented in the cash flow statement in cash flow from operating activities with the related interest paid and in cash flow from financing activities with the part of lease payments, which represent instalments on the related financial debt.

No other issued standard or interpretation would have a material impact on the consolidated financial statements.

Critical accounting estimates and judgements

In applying the Group's accounting policies, various transactions and balances are assessed using estimates and assumptions. Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. Should these estimates or assumptions prove incorrect there may be an impact on the following year's financial statements. The Group believes that the estimates and assumptions that have been applied in these consolidated financial statements would not give rise to a material impact within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis.

The Management has made significant estimates and judgements in the following areas:

1) The Group enters into agreements with many of its vendors that provide rebates. Many of these agreements apply to purchases in a calendar year rather than the Group's financial year, and under certain agreements the rebate increases as a proportion of purchases as higher quantities or values of purchases are made. The Group

adjusts the cost of purchases to reflect estimated rebates receivable, which can depend on the projected volume, value and mix of purchases from a vendor through to the end of the qualifying period. Actual rebates receivable from vendors may differ materially from the estimates on which the cost of purchases is based.

2) Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based. The Group held provisions in respect of inventory balances at EUR 21 million as of 31 July 2018 (31 July 2017: EUR 22 million).

3) Provision is made for bad debt losses in the respect of the Groups' trade and other receivables, which are estimated to occur if a customer subsequently is not able to pay. If the customer's financial condition was to deteriorate, and thus are not able to handle the payments, it may be necessary to make further write downs in future periods. In connection with the assessment of whether the Group's provisions for bad and doubtful debts are sufficient, management analyses accounts receivable, including historical bad debts, customer credit worthiness, current economic trends and changes in customer payment terms and also takes into account the extent to which protection is provided through credit insurance arrangements. The Group has set-up provisions for bad debts at EUR 11 million as of 31 July 2018 (31 July 2017: EUR 10 million).

4) Provisions for legal claims, environmental restoration and onerous leases are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The Group has provided EUR 17 million as of 31 July 2018 (31 July 2017: EUR 30 million) to cover the described risks and claims.

Group accounting policies

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below. The accounting policies have been applied consistently throughout the years.

Consolidation

The consolidated financial statements include the results of the Company, its subsidiary undertakings and its share of the results of its joint venture.

The trading results of business operations are included in profit from continuing operations from the date of acquisition or up to the date of sale, or the date of reclassification to discontinued operations.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation, with the exception of gains/losses required under relevant IFRS accounting standards.

Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Acquisition related costs are expensed.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, negative goodwill, the difference is recognised directly in the income statement.

If the fair value of the identifiable assets, liabilities or contingent liabilities subsequently differ from the values calculated at the time of the acquisition, adjustments are made, including goodwill, until 12 months after the date of acquisition and comparatives are adjusted as necessary. Subsequently, goodwill is not adjusted. Changes in estimates of contingent consideration are generally recognised in the income statement.

Joint ventures

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The result and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method.

Notes to the Consolidated Financial Statements

Foreign currencies

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the enterprises operate (the "functional currency"). The Consolidated Financial Statements are presented in Euros which is the presentational currency of the Group.

Transactions in foreign currencies are translated to the functional currency using the exchange rates at transaction date. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the balance sheet date. All differences are recognized in the Group income statement.

The assets and liabilities of foreign subsidiaries denominated in foreign currencies are translated into Euros at exchange rates prevailing at the date of the Group balance sheet; profits and losses are translated at average exchange rates for the relevant accounting periods. Exchange differences arising are recognised in the consolidated statement of comprehensive income and are included in the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Net sales

Net sales comprise the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Net sales from the sale of goods for resale and finished goods is recognised in the income statement when the significant risks and rewards of ownership of the goods have transferred to the buyer and the amount of net sales can be measured reliably.

Net sales is recorded net of returns, discounts/offers and value added taxes. Net sales is reported by business segments.

Cost of sales

Cost of sales includes costs for the goods sold and consumed in order to obtain net sales for the year.

The Group enters into arrangements with certain vendors providing purchase rebates. These purchase rebates are accrued as earned and are recorded initially as a reduction in inventory resulting in a reduction in cost of sales when the related product is sold.

Taxation

The tax expense included in the Group income statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the balance sheet date. Tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised in the consolidated statement of comprehensive income or directly in the consolidated statement of changes in equity, in which case it is recognised in the consolidated statement of comprehensive income or directly in the consolidated statement of changes in equity, respectively.

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to the consolidated statement of changes in equity or the consolidated statement of comprehensive income, in which case the deferred tax is recognised in equity, or other comprehensive income respectively.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Tax receivables and liabilities are offset to the extent that there is legal right of set-off, and items are expected to be settled net or simultaneously.

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Notes to the Consolidated Financial Statements

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, consulting costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the development, design and implementation of the computer software. Costs in respect of training and data conversion are expensed as incurred.

Software costs are amortised on a straight-line basis over their estimated useful lives of 3 - 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Interest expenses on loans raised for financing the construction of property, plant, machinery and equipment and which are related to the period of construction are recognised in the income statement.

Depreciation based on cost is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Office buildings	50 years
Commercial buildings and office premises in connection herewith	25 years
Plant and equipment	3 - 10 years

Property under construction are not depreciated.

At the balance sheet date, an assessment is made of the residual values, useful life left and amortisation pattern. Changes are accounted for as changes in accounting estimates.

Gains and losses on disposals or retirements are recognised in the income statement as other operating income or other operating expenses.

Leases

Leases with terms in which the Group assumes substantially all the risks and rewards of ownership (finance leases) are on inception recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and impaired under the same policies as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement. The Group had no finance lease arrangements at 31 July 2018 or 2017.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business.

Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets that are classified as held for sale are not depreciated.

Impairment of assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation or depreciation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation and assets under construction are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use is in most cases based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the asset relates, or from the individual asset or asset group.

Notes to the Consolidated Financial Statements

Inventories

Inventories, which comprise goods purchased for resale, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of goods purchased for resale includes import and custom duties, transport and handling costs, freight and packing costs and other attributable costs less supplier rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to estimated future sales on the basis of historical experience

Financial instruments

Financial assets and financial liabilities are recognised on the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise trade and other receivables (including amounts owed by related parties), cash and cash equivalents, trade and other payables (including amounts owed to related parties) and borrowings.

Trade receivables

Trade receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for bad debts.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no legal right of offset and/or no practice of net settlement with cash balances. Cash, which is not freely available to the Group, is disclosed as restricted cash.

Borrowings

Interest-bearing loans from related parties and bank and credit institutions and overdrafts are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the Group income statement over the period of the borrowings on an effective interest basis.

Trade payables

Trade payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when, in consequence of an event that occurred before or on the balance sheet date, the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions for onerous leases are recognised when the Group believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease.

Post-employment obligations

Contributions to defined contribution pension plans and other post-retirement benefits are charged to the income statement as incurred.

For defined benefit plans, obligations are measured at discounted present value (using the projected unit credit method) whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the Group income statement; service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Group statement of comprehensive income.

Where a plan is in surplus, the asset recognised is limited to the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

Notes to the Consolidated Financial Statements

Financial highlights information

Gross margin	$= \dfrac{\text{Gross profit x 100}}{\text{Net sales}}$
Profit margin	$= \dfrac{\text{EBIT x 100}}{\text{Net sales}}$
Solvency ratio	$= \dfrac{\text{Equity at year end x 100}}{\text{Total assets}}$
Return on assets	$= \dfrac{\text{EBIT x 100}}{\text{Total assets}}$
Return on equity	$= \dfrac{\text{Results for the year}}{\text{Average equity}}$

Notes to the Consolidated Financial Statements

EUR million		2017/18	2016/17
Note			
2	**Net sales**		
	Sale of goods	2.206	2.214
	Total net sales	**2.206**	**2.214**
	Geographical markets:		
	Denmark	924	911
	Finland	563	588
	Sweden	575	561
	Norway	144	154
	Total	**2.206**	**2.214**
3	**Staff costs**		
	Salary and wages	240	290
	Pensions - contribution plan	20	17
	Pensions - defined benefit plan	2	2
	Other expenses for social security	38	7
	Total staff costs (continuing)	**300**	**316**
	Total staff cocts (discontinuing)	**3**	**41**
	Total staff costs for the year	**303**	**357**
	Average number of fulltime employees	4.783	4.890
	Number of employees at the end of the financial year	5.741	4.840

4 **Other operating income**

During the financial year 2017/18, properties that did not form part of the sale of Stark Group A/S were transferred out of Stark Group A/S to other Ferguson plc group entities, resulting in a net gain of EUR 97 million.

		2017/18	2016/17
5	**Depreciation, amortisation and writedown of non-current assets**		
	Other Intangible assets	4	4
	Buildings	13	15
	Fixtures, fittings, tools and equipment	8	10
	Total amortisation, depreciation and writedown	**25**	**29**
6	**Financial income**		
	Interest from group companies	-	2
	Other financial income	1	1
	Total financial income	**1**	**3**
7	**Financial expenses**		
	Interest to group companies	-	2
	Foreign exchange loss	5	-
	Other financial expenses	4	5
	Total financial expenses	**9**	**7**

Notes to the Consolidated Financial Statements

8 **Tax for the year**

Current tax	22	7
Deferred tax	9	(2)
Adjustment of current tax regarding previous years	(1)	(1)
Adjustment of deferred tax regarding previous years	-	1
Total income tax for the year	**30**	**5**

Tax on items (charged)/credited to the statement of other comprehensive income:		
Deferred tax (charge)/credit on actuarial gain/loss on retirement benefits	1	1
Total tax on items (charged)/credited to other comprehensive income	**1**	**1**

Tax reconciliation:	%	%
Danish corporation tax rate	22,0	22,0
Non-taxable income	(3,0)	-
Non-deductible items	2,5	74,4
Adjustments relating to prior years	(0,6)	0,5
Other adjustments	0,4	0,5
Tax rate on profit before tax	**21,3**	**97,4**

9 **Results for the year from discontinued operations**

Net sales	18	219
Cost of sales	(12)	(139)
Gross Profit	**6**	**80**
Expenses	(6)	(85)
Results before tax	**-**	**(5)**
Tax for the year	-	-
Results for the year	**-**	**(5)**
Loss on disposal	(1)	-
Results for the year from discontinued operations	**(1)**	**(5)**

Cash flows from discontinued operations		
Net cash flow from operations	(7)	10
Cash flows from investing activities	2	-
Cash flows from financing activities	(8)	(11)
Net cash (used)/generated from discontinued operations	**(13)**	**(1)**

On 10 July 2017, in connection with focusing ongoing operations primarily on business to business customers, an announcement was made with regards to the agreement to divest the DIY brand, Silvan, to Aurelius Group. Silvan is reported as discontinued operations for the years ended 31 July 2018 and 2017.

The result for FY 2017/18 covers the period 1 August - 31 August 2017.

EUR million
Note

10 **Other intangible assets**

2017/18	**Software**	**Customer relation-ship**	**Total**
Cost at the beginning of the year	18	1	19
Additions	6	-	6
Disposals	(8)	-	(8)
Cost at the end of the year	16	1	17
Amortisation and writedown at the beginning of the year	(6)	(1)	(7)
Amortisation for the year	(4)	-	(4)
Disposals	5	-	5
Amortisation and writedown at the end of the year	(5)	(1)	(6)
Carrying amount at the end of the year	**11**	**-**	**11**

2016/17	**Software**	**Customer relation-ship**	**Total**
Cost at the beginning of the year	24	1	25
Additions	2	-	2
Disposals	(8)	-	(8)
Cost at the end of the year	18	1	19
Amortisation and writedown at the beginning of the year	(10)	(1)	(11)
Amortisation for the year	(4)	-	(4)
Disposals	8	-	8
Amortisation and writedown at the end of the year	(6)	(1)	(7)
Carrying amount at the end of the year	**12**	**-**	**12**

EUR million	2017/18	2016/17
Note		
11 **Property**		
Cost at the beginning of the year	681	656
Business acquisitions	-	2
Additions	21	20
Disposals	(177)	(3)
Transfers	7	6
Reclassification as held for sale	(2)	-
Exchange rate adjustment	(11)	-
Cost at the end of the year	519	681
Depreciation and writedown at the beginning of the year	(294)	(279)
Depreciation and writedown for the year	(13)	(15)
Depreciation and writedown on sold assets	81	-
Reclassification as held for sale	1	-
Exchange rate adjustment	3	-
Amortisation, depreciation and writedown at the end of the year	(222)	(294)
Carrying amount at the end of the year	**297**	**387**

Assets held for sale relates to properties in Sweden EUR 1 million.

Impairment assessment recognised in the year
During the years, the Group performed a review of the recoverable amount of those branches and the related buildings. The impairment assessment carried out in 2016/17 and 2017/18 did not lead to recognition of impairment losses.

Properties with a carrying amount of EUR 9 million have been pledged as security for mortgage loans.

	2017/18	2016/17
12 **Plant and equipment**		
Cost at the beginning of the year	65	107
Additions	7	14
Disposals	(5)	(26)
Transferred	6	6
Reclassification as held for sale	-	(36)
Exchange rate adjustment	(3)	-
Cost at the end of the year	70	65
Depreciation and writedown at the beginning of the year	(36)	(65)
Depreciation and writedown for the year	(8)	(10)
Depreciation and writedown on sold assets	4	12
Transferred	-	-
Reclassification as held for sale	-	27
Exchange rate adjustment	1	-
Amortisation, depreciation and writedown at the end of the year	(39)	(36)
Carrying amount at the end of the year	**31**	**29**

Notes to the Consolidated Financial Statements

EUR million		2017/18	2016/17
Note			
13	**Non-currents assets under construction and prepayments for non-current assets**		
	Cost at the beginning of the year	14	8
	Additions	20	19
	Disposals	(1)	(1)
	Transferred to other items	(13)	(12)
	Exchange rate adjustment	(1)	-
	Carrying amount at the end of the year	**19**	**14**
14	**Inventories**		
	Trading goods	294	280
	Provision for excess and obsolete goods	(21)	(22)
	Total inventories	**273**	**258**
15	**Trade and other receivables**		
	Trade receivables, gross	242	258
	Provision for bad debt losses	(11)	(10)
	Net Trade receivables	**231**	**248**
	Other receivables	26	12
	Prepayments	8	17
	Total	**265**	**277**
	Of this, due after more than 1 year	-	1

Movements in the provision for impairment of trade receivables are as follows:

	2017/18	2016/17
At 1 August	(10)	(15)
Net charge for the year	(5)	(4)
Utilised in the year	4	9
At 31 July	**(11)**	**(10)**

Trade receivables can be aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

	2017/18	2016/17
Amounts not yet due	233	238
Past due not more than one month	27	34
Past due more than one month and less than three months	3	5
Past due more than three months and less than six months	1	-
Past due more than six months	1	-
At 31 July	**265**	**277**

Notes to the Consolidated Financial Statements

EUR million	2017/18	2016/17
Note		

16 **Assets and liabilities held for sale**

	2017/18	2016/17
Inventories	-	49
Trade and other receivables	-	9
Properties held for sale	1	5
Property, plant and equipment	-	7
Total assets held for sale	**1**	**70**
Trade and other payables	-	68
Provisions	-	2
Total liabilities held for sale	**-**	**70**

Assets and liabilities held for sale in 2016/17 relate to the disposal of Silvan and properties identified for sale. Assets held for sale in 2017/18 relate to properties.

17 **Share capital**

The share capital consists of 10,403,718 shares of a nominal value of DKK 1. No shares carry any special rights.

18 **Proposed distribution of profit:**

	2017/18	2016/17
Interim dividend	78	-
Final dividend declared	35	-
Retained earnings	(4)	(1)
Total	**109**	**(1)**

19 **Deferred tax assets and liabilities**

	2017/18	2016/17
Deferred tax assets	13	9
Deferred tax liabilities	(17)	(6)
Total	**(4)**	**3**

	2017/18	2016/17
Deferred tax relates to:		
Intangible assets	(1)	(3)
Property, plant and equipment	(11)	(13)
Receivables	0	0
Inventory	4	3
Other liabilities	4	16
Total	**(4)**	**3**

The Group has an unrecognised tax loss of EUR 21 million. The deferred tax asset on the unrecognised tax loss has not been recognised, as the eligibility for its future utilisation is not certain.

EUR million

Note

20 **Other provisions**

	Environ-mental and Legal	Restruc-turing	Other provisions	Total
At 31 July 2016	4	4	17	25
Utilised in the year	(1)	(14)	(2)	(17)
Charge/(credit) for the year	1	22	1	24
Reclassified as held for sale	-	-	(2)	(2)
Transfers within provisions	-	(1)	1	-
At 31 July 2017	**4**	**11**	**15**	**30**
At 31 July 2017	4	11	15	30
Exchange rate adjustment	-	-	1	1
Utilised in the year	-	(9)	(3)	(12)
Charge/(credit) for the year	(2)	-	-	(2)
At 31 July 2018	**2**	**2**	**13**	**17**

	2017/18	2016/17
Other provisions can be specified as follows:		
Dilapidation costs	5	7
Warranty commitments	2	2
Other provisions	6	6
Total other provisions	**13**	**15**
Maturity of provisions are expected to be:		
Within 1 year	12	23
Between 1 and 5 years	5	7
Total other provisions	**17**	**30**

Restructuring provisions include provisions for staff redundancy costs and onerous lease obligations from closed branches. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates. The weighted average maturity of these obligations is approximately two years.

The Environmental provision is related to potential claims on disposed properties. The claims expire between 1 and 5 years.

Other provisions include warranty and separation costs relating to businesses disposed of, rental commitments on vacant premises and dilapidations on leased properties. The weighted average maturity of these obligations is approximately two years.

21 **Employee benefit obligations**

The Group has entered into pensions plans with a considerable number of the Group´s employees. The Group have entered into both defined contributions plans and defined benefit plans.

Defined contributions plans
The Group finances the plans by paying premium to an independent insurance company that is responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligation to current or retired employees.

Defined benefit plans
The Group operates defined benefit plans with employees of the Group´s subsidiaries in Sweden and Norway.

EUR million		2018	2017
Note			
21	**Employee benefit obligations (continued)**		
	Financial impact of plans		
	As disclosed in the balance sheet		
	Current liability	2	2
	Non-current liability	50	47
	Total benefit obligations	**52**	**49**
	Analysis of balance sheet liability		
	Fair value of plan assets	9	9
	Present value of defined benefit obligation	(61)	(58)
	Net deficit recognised in balance sheet	**(52)**	**(49)**
	Analysis of total expense recognised in income statement		
	Current service cost	(2)	(2)
	Past service cost and gain from settlements	-	-
	Charged to operating costs	**(2)**	**(2)**
	Interest on pension liabilities	(1)	(1)
	(Credited)/charged to finance costs	**(1)**	**(1)**
	Total expense recognised in income statement	**(3)**	**(3)**
	Analysis of amount recognised in the statement of comprehensive income		
	Actuarial gain/(loss)	(6)	2
	Taxation	1	(1)
	Total amount recognised in the statement of comprehensive income	**(5)**	**1**
	Fair value of plan assets		
	At 1 August	9	9
	The return on plan assets (excluding amouts included in net interest expense)	-	-
	Employer's contributions	-	-
	Participants' contributions	-	-
	Sales of plan assets	-	-
	Currency translation	-	-
	At 31 July	**9**	**9**
	Actual return on plan assets	**-**	**-**

EUR million	2018	2017
Note		
21 **Employee benefit obligations (continued)**		
Present value of defined benefit obligation		
At 1 August	(58)	(58)
Current service cost	(2)	(2)
Interest cost	(2)	(1)
Benefits paid	2	1
Actuarial gain/(loss) - demografic assumptions	(3)	2
Actuarial gain/(loss) - financial assumptions	(2)	-
Currency translation	4	-
At 31 July	**(61)**	**(58)**
Analysis of present value of defined benefit obligation		
Amounts arising from wholly unfunded plans	(51)	(48)
Amounts arising from plans that are wholly or partly funded	(10)	(10)
At 31 July	**(61)**	**(58)**
Analysis of present value of plan assets		
Property	1	1
Loans	2	2
Bonds	4	4
Cash at bank	1	1
Shares and other alternative investments	1	1
At 31 July	**9**	**9**

The actuarial calculations at the balance sheet date are based on the following assumptions:

	2018	2017
Discount rate	2,71%	2,50%
Rate of inflation	2,00%	2,00%
Increases to pensions in payment	2,00%	2,00%
Increase in salary	2,87%	2,95%
Current pensioners	752	718
Future pensioners	602	589

Sensitivity analysis

The Group considers that the most sensitive assumptions are the discount rate, inflation and life expectancy.
A change in discount rate of +/- 0,25% respectively would impact the defined benefit obligation by -4% or +5% respectively.
A change in the inflation of +/-0,25% respectively would impact the defined benefit obligation by +4% or -4% respectively.
Changing expectations for the number of years of life after retirement with 1 year would increase the defined benefit obligation by 4%.

Notes to the Consolidated Financial Statements

EUR million		2018	2017
Note			
22	**Banks and Credit institutions**		
	Current		
	Bank overdrafts	-	30
	Secured bank loans	-	89
	Carrying amount	**-**	**119**
	Non-current		
	Secured bank loans	6	-
	Carrying amount	**6**	**-**
	Total Banks and credit institutions	**6**	**119**
	Within 1 year	-	119
	Between 1 and 5 years	-	-
	After 5 years	6	-
	Carrying amount	**6**	**119**

Secured bank loans relate to Danish mortgages with fixed interest rates. The weighted interest rate on the loans was 1.7% in 2016/17 and 2017/18. The bank loans are secured against the Group's freehold properties.

		2018	2017
23	**Adjustments for non-cash items**		
	Financial income	(1)	(3)
	Financial expenses	9	7
	Amortisation, depreciation and writedown, including gain/loss from sale of assets	(72)	41
	Loss on disposal of businesses and revaluation on disposal groups	-	1
	Tax	30	5
	Adjustments for non cash-items	**(34)**	**51**

		2018	2017
24	**Change in working capital**		
	(Increase)/decrease in inventories	(22)	15
	(Increase)/decrease in trade and other receivables	11	10
	Increase/(decrease) in trade and other payables	53	(2)
	Change in working capital	**42**	**23**

25 **Acquisitions**

In the financial year 2016/17, the Group acquired 100% interest in two Swedish businesses Mölnlycke Trä AB and Berners Tunga Fordon Fastighet AB for a total consideration of EUR 6 million.

The Group did not make any acquisitions in the financial year 2017/18.

The Group has after 31 July 2018 acquired 100% of two businesses in Sweden, Byggvaruhuset i Trelleborg Aktiebolagat at 3 September 2018 and Nacka Trä & Byggvaror, Sven Gustafsson Aktiebolag at 30 November 2018. The two acquisitions in total have 12 months net sales of EUR 73 million and earnings before interest and tax of EUR 3 million.

As the transactions have been completed recently, the provisional opening balance sheets for the acquired entities have not yet been prepared.

Notes to the Consolidated Financial Statements

DKK million

Note

26 **Disposal of businesses**

On 31 August 2017, the Group disposed of the Silvan business resulting in a total loss on the disposal of EUR 2 million.

In the year ended 31 July 2017, the Group disposed of the HR Sandvold business in Norway. The Group recognised a total loss on the disposal of EUR 1 million.

Gain/(Loss) on disposal		
Total consideration	19	-
Net assets disposed of	(16)	(1)
Disposal costs and provisions	(5)	-
Gain/Loss on disposal	**(2)**	**(1)**

Net cash inflow/(outflow)		
Cash consideration received	19	-
Cash disposed	(13)	-
Disposal costs paid	(2)	-
Net cash inflow	**4**	**-**

27 **Operating leases**

The Group leases property and equipment under operating leases. The lease terms are typically for terms of between 1 and 5 years, with the possibility of renewal or purchase at the end of the period. Some leases include contingent rent, but the amounts are not material for the group.

Future minimum lease payments under non-cancellable leases for the following periods are:

Due within one year	22	30
Due in two to five years	51	56
Due after 5 years	14	16
Total minimum lease commitments	**87**	**102**

28 **Contingent liabilities**

The Group is involved in various legal proceedings as part of the ordinary business. The outcome of the pending lawsuits is not expected to have material significance on the Group's financial position.

Danish Group companies are jointly and severally liable for the tax on the jointly taxed incomes of the Stark Group. The total amount of Danish corporation tax payable until 29 March 2018 is disclosed in the annual report for Ferguson Holding A/S, which was the management company for joint Danish taxation purposes until the change in ownership at 29 March 2018. The total amount of corporation tax payable for the period 29 March 2018 to 31 July 2018 is disclosed in the annual report of LSF10 Wolverine Bidco ApS, which is the management company for joint taxation purposes going forward. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

29 **Financial instruments, risk management policies**

Risk management

As a result of its operations, investments and financing the Group is exposed to changes in exchange and interest rates. The Group's financial management is exclusively aimed at the management of financial risks related to finance. Thus, it is the groups policy not to engage in speculation in financial risks.

Policies for managing each of these risks are regularly reviewed and are summarized below:

DKK million

Note

29 **Financial instruments, risk management policies (continued)**

Funding Risk

The Group's sources of funding currently comprise cash flows generated by operations, shareholder loans and borrowings from banks and mortgage lenders.

Liquidity Risks

The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investments and capital expenditures included in the strategic plan, with an additional contingent safety margin. The Group substantially manages its liquidity needs with cash flow from operations and to achieve effective management of the Group's cash, cash pooling is used. The Group's liquidity reserves consist of cash and an undrawn credit facility.

Interest rate risk

The Group is due to its operating, investing and financing exposed to changes in interest rates.

The interest rate profile of the Group's net debt is set out in the following tables:

	Float	Fixed	Total
31 July 2017			
Pounds sterling	(2)	-	(2)
EUR, DKK and SEK	63	(89)	(26)
Other currencies	6	-	6
Total 31 July 2017	**67**	**(89)**	**(22)**
31 July 2018			
EUR, DKK and SEK	177	(6)	171
Other currencies	12	-	12
Total 31 July 2018	**189**	**(6)**	**183**

Fixed rate borrowings at 31 July 2018 carried an average interest rate of 1.7 per cent.

Currency risks

The Group's currency risk is limited by the fact that costs of wages and purchases of supplies are largely incurred in the same currency as that in which sales are invoiced. Currency risks are primarily related to international purchases and sale of goods in foreign currency.

The Group is subject to translation risk when results of subsidiaries income is translated into EUR. Translation risk is not hedged with financial contracts.

It is the Group's policy to actively monitor the impact of exchange rate changes on the results and the Group's financial position. The Group does not engage in speculative currency transactions. The Group did not enter in to any forward currency contracts during the financial years ended 31 July 2018 and 31 July 2017.

Credit risk

Financial counterparty risk is reduced by using financial counterparties that have a satisfactory credit quality. Furthermore, maximum credit limits for each financial counterparty applies.

The Group has no material risks relating to an individual client or business partner. The Group's policy for accepting credit risks means that all major customers and other partners are credit rated continuously.

The Group's credit risk is related to accounts receivable and cash. The maximum credit risk related to financial assets corresponds to the balance sheet values recognized. All cash balances are held with reputable financial institutions.

DKK million

Note

29 **Financial instruments, risk management policies (continued)**

Customer insurance

The Group has no material risks relating to an individual client or business partner. The Group's policy for accepting credit risks ensures that all major customers and other partners are credit rated regularly. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis. In some cases, protection is provided through credit insurance arrangements.

Financial instruments

The carrying amount of financial instruments by category as defined by IAS 39 "Financial Instruments: Recognition and Measurement" is as follows:

	2017/18	2016/17
Financial assets		
Financial assets at fair value through profit and loss	-	-
Trade and other receivables	265	277
Less prepayments	(8)	(6)
Net trade and other receivables	257	271
Receivables from related parties	42	97
Net trade and other receivables	**299**	**368**
Financial liabilities		
Trade and other payables	(667)	(601)
Less: Tax and social security	33	36
Less: Payroll accruals	36	33
Net trade and other payables (current)	(598)	(532)
Payables to related parties (note 28)	(59)	(57)
Borrowings (note 20)	(6)	(119)
Financial liabilities at amortised cost	**(663)**	**(708)**

Maturity of the financial liabilities is as follows:

At 31 July 2018	**Trade and other payables**	**Debt**	**Interest on debt**	**Total**
Due in less than one year	(657)	-	-	(657)
Due in over five years	-	(6)	-	(6)
Total	**(657)**	**(6)**	**-**	**(663)**

At 31 July 2017	**Trade and other payables**	**Debt**	**Interest on debt**	**Total**
Due in less than one year	(582)	(89)	(2)	(673)
Total	**(582)**	**(89)**	**(2)**	**(673)**

DKK million

Note

30 **Securities**

One of the group companies in the owner structure above STARK Group A/S, LSF10 Wolverine Investments S.C.A., has issued Senior Secured Notes amounting to a total of EUR 515 million and has entered into a Super Senior Revolving Credit facilities agreement with lenders up to EUR 100 million. The loans have been issued in connection with the acquisition of STARK Group at 29 March 2018. The shares in the major STARK Group companies have been pledged as security for the Senior Secured Notes and for the Super Senior Revolving Credit facilities. The Super Senior Revolving Credit facilities was not drawn at 31 July 2018.

The STARK Group had at 31 July 2018 pledged properties with a book value of EUR 9 million as security for the secured bank loans.

31 **Related party transactions**

As per 29 March 2018 Stark Group A/S was sold from Ferguson Holding A/S to LSF10 Wolverine Bidco ApS, which is the direct parent to Stark Group and owns 100% of the shares in STARK Group A/S. Until 29 March 2018 Ferguson plc, a company incorporated in Jersey under the Companies Act of 1991 and headquartered in Switzerland was the ultimate controlling party.

After the 29 March 2018 the Group's new ultimate parent undertaking is Lone Star Management Co X, Ltd.

The Group's related parties with significant influence comprise LSF10 Wolverine Bidco ApS, LSF10 Wolverine Investments S.C.A., LSF10 Wolverine GP S.à.r.l., LSF10 Wolverine Holdings S.à r.l., LSF10 Wolverine Midco S.à r.l., LSF10 Wolverine Topco S.à r.l., SGM Investments 1 S.A., SGM Investments 2 S.A., LSF10 Wolverine MIP WE S.à r.l., Lone Star Capital Investments S.à r.l., LSF10 Wolverine Investments Limited and the Company's Board of Directors and Executive Board.

The Group's related parties note comprise transactions with the before mentioned companies from 29 March 2018 until the balance sheet date and transactions with the Ferguson Plc group until 29 March 2018.

Furthermore, the note includes transactions with the Companies Executive Board, Supervisory Board and senior employees and their immediate family members. Related parties also include companies where before mentioned persons have significant interests.

Consolidated Financial Statements

The Group is included in the Consolidated Financial Statements for the parent company of the largest group:

LSF10 Wolverine Investments S.C.A.

The Consolidated Financial Statements for STARK Group A/S may be obtained at the following address:

STARK Group A/S, C.F. Richs Vej 115, 2000 Frederiksberg, Denmark

DKK million

Note

31 **Related party transactions (continued)**

Transactions with related parties for the period 01 August 2017 to 29 March 2018

Transactions with Ferguson Plc relate mainly to provision of certain central support services.

In addition, Wolseley Finance (Switzerland) AG a subsidiary of Ferguson Plc, granted loans to the Group and the Group participates in the Ferguson Plc group's cash pooling arrangements. Interest on loans and deposits held within the cash pool are calculated in accordance with respective loan agreements and Ferguson Plc group cash pooling agreements. Interest income and expenses in relation to the cash pooling arrangement and the related party loans are disclosed in notes 4 and 5. All loans with the Fergusson group have been repaid at the balance sheet date.

During the years, the Group entities entered the following transactions with related parties that are not members of the Group:

Transactions with related parties (parent companies)	**01/08/2017-29/03/2018**	**2016/17**
Ferguson group management fees, services		
GSTS Group IT costs, services	2	5
Group insurance costs, services	2	4
Group share based payments (note 3), renumeration	2	2
Interest paid	1	2
Interest received	-	2
	-	2

These charges are based on a number of utilization measures and Management believes that the methods used to allocate expenses to the Stark Group are reasonable.

In the period 01/08/17-29/03/2018, Danish entities in the Stark Group were part of the Ferguson Holding A/S local Danish joint tax group.

Transactions with related parties for the period 29 March 2018 to 31 July 2018

Transactions with related parties (parent companies)	**29/03/2018-31/07/2018**	**2016/17**
Interrest paid	0	-
Interst received	0	-

As per 29/03/18 Stark Group is part of the local Danish joint tax group where LSF10 Wolverine Bidco ApS serves as the local tax administrator.

Outstanding balances

The following balances with related parties were outstanding with at the end of the reporting period:

	2018	**2017**
Amounts receivable form related parties		
Wolseley Nordic Holdings Ab	-	88
Fergusion Holding A/S	-	9
LSF10 Wolverine Bidco ApS	42	-
Total receivables at 31 July	**42**	**97**
Maturity are specified as follows:		
Within 1 year	-	97
Between 1 and 5 years	-	-
Later than 5 years	42	-
At 31 July	**42**	**97**

Notes to the Consolidated Financial Statements

DKK million

Note

31 **Related party transactions (continued)**

	2018	2017
Amounts payable to related parties		
Wolseley Finance (Switzerland) AG	-	57
LSF10 Wolverine Bidco ApS	59	-
Total payables at 31 July	**59**	**57**
Maturity are specified as follows:		
Within 1 year	35	57
Between 1 and 5 years	5	-
Later than 5 years	19	-
At 31 July	**59**	**57**

Other transactions with related parties

The following transactions ocurred with related parties:

	01/08/2017-29/03/2018	2016/17
Dividend paid to Ferguson Holding A/S before 29 March 2018	43	-
Dividend paid to LSF10 Wolverine Bidco ApS after 29 March 2018	35	-
Total dividend paid in the financial year	**78**	**-**

32 **List of group companies**

Name	Registered office	Voting and ownership share
Parent:		
STARK Group A/S	Frederiksberg, Denmark	
Subsidiaries:		
DT Finland Oy	Lahti, Finland	100%
Starkki Property Oy	Lahti, Finland	100%
DT Holding (Sweden) AB	Stockholm, Sweden	100%
Beijer Byggmaterial AB	Stockholm, Sweden	100%
KB Huggjärnet 6 KB	Malmø, Sweden	100%
KB Näringen 8:4	Gävle, Sweden	100%
Neumann Bygg AS	Bergen, Norway	100%
STARK Danmark A/S	Frederiksberg, Denmark	100%
Electro Energy A/S	Glostrup, Denmark	100%
Hobro Ny Trælast A/S	Hobro, Denmark	100%
Stark Kalaallit Nunaat A/S	Nuuk, Greenland	100%

Income Statement 1 August - 31 July - Parent Company

DKK '000		2017/18	2016/17
Note			
	Other external expenses	(75)	(94)
	Gross Profit	**(75)**	**(94)**
	Income from investments in subsidiaries	260,750	675
2	Financial expenses	(21,883)	(23,943)
	Profit/(loss) before tax	**238,792**	**(23,362)**
3	Tax for the year	999	4,957
	Profit/(loss) for the year	**239,791**	**(18,405)**
	Distribution of profit		
	Interim dividend paid	586,231	-
	Proposed dividend	260,750	
	Retained earnings	(607,190)	(18,405)
		239,791	**(18,405)**

Statement of Financial Position as of 31 July - Parent Company

DKK '000 Note		2017/18	2016/17
	Assets		
4	Investments in subsidiaries	2,275,451	2,275,451
	Financial non-current assets	**2,275,451**	**2,275,451**
	Total non-current assets	**2,275,451**	**2,275,451**
	Current assets		
	Receivables from group enterprises	525	8,923
	Other receivables	9,402	-
	Total receivables	**9,927**	**8,923**
	Cash and cash equivalents	214	285
	Total current assets	**10,141**	**9,208**
	Total assets	**2,285,592**	**2,284,659**
	Liabilities and Equity		
	Equity		
	Share capital	10,403	10,403
	Retained earnings	290,734	897,924
	Dividend	260,750	-
5	**Total equity**	**561,887**	**908,327**
	Current liabilities		
	Payables to group enterprises	1,723,705	1,376,332
	Total current liabilities	**1,723,705**	**1,376,332**
	Total liabilities	**1,723,705**	**1,376,332**
	Total equity and liabilities	**2,285,592**	**2,284,659**

Notes to the Financial Statements - Parent Company

1. Accounting Policies
The Annual Report of Stark Group A/S for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017/18 are presented in TDKK.

Recognition and measurement
The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Income Statement

Other external expenses
Other external expenses comprise the Company's administration, etc.

Income from investments in subsidiaries
Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year
Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries
Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write down is made to this lower value.

Receivables
Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value.

Deferred tax assets and liabilities
Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Notes to the Financial Statements - Parent Company

8 Accounting Policies (continued)
Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities
Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts
Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements - Parent Company

DKK '000		2017/18	2016/17
Note			
2	**Financial expenses**		
	Interest paid to group enterprises	(21,880)	(23,941)
	Other financial expenses	(3)	(2)
	Total financial expenses	**(21,883)**	**(23,943)**
3	**Tax for the year**		
	Current tax	999	4,010
	Adjustment of tax regarding previous years	-	947
	Total income tax for the year	**999**	**4,957**
4	**Investments in subsidiaries**		
	Cost at the beginning of the year	2,275,451	2,277,951
	Disposals	-	(2,500)
	Carrying amount end of the year	2,275,451	2,275,451

List of Group companies

Name	Registered office	Voting and ownership share
DT Finland Oy	Lahti, Finland	100%
Starkki Property Oy	Lahti, Finland	100%
DT Holding (Sweden) AB	Stockholm, Sweden	100%
Beijer Byggmaterial AB	Stockholm, Sweden	100%
KB Huggjärnet 6 KB	Malmø, Sweden	100%
KB Näringen 8:4	Gävle, Sweden	100%
Neumann Bygg AS	Bergen, Norway	100%
STARK Danmark A/S	Frederiksberg, Denmark	100%
Electro Energy A/S	Glostrup, Denmark	100%
Hobro Ny Trælast A/S	Hobro, Denmark	100%
Stark Kalaallit Nunaat A/S	Nuuk, Greenland	100%

5 **Equity**

	Share capital	Retained earnings	Dividend	Total
Opening balance at 1 August 2017	10,403	897,924	-	908,327
Distribution of profit	-	(607,190)	846,981	239,791
Interim dividend paid	-	-	(586,231)	(586,231)
Closing balance at 31 July 2018	**10,403**	**290,734**	**260,750**	**561,887**

6 **Contingent liabilities**

Danish Group companies are jointly and severally liable for the tax on the jointly taxed incomes of the LSF10 Wolverine Bidco ApS and its Danish subsidiaries. The total amount of Danish corporation tax payable until 29 March 2018 is disclosed in the annual report for Ferguson Holding A/S, which was the management company for joint Danish taxation purposes until the change in ownership at 29 March 2018. The total amount of corporation tax payable for the period 29 March 2018 to 31 July 2018 is disclosed in the annual report of LSF10 Wolverine Bidco ApS, which is the management company for joint taxation purposes going forward. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

Shares in subsidiaries with a carrying amount of DKK 2,275 million have been pledged as security for bond debt amounting to EUR 515 million (DKK 3,837 million) and Revolving Credit facilities agreement with lenders up to EUR 100 million (DKK 745 million) in the Group company, LSF10 Wolverine Investments S.C.A.

7 **Related parties**

Controlling interest

LSF10 Wolverine Bidco ApS - CVR No. 39 16 37 64, is the parent company.

Other transactions with related parties

The following transactions occured with related parties:

	01/08/17-29/03/18	2016/17
	EUR million	
Dividend paid to Ferguson Holding A/S before 29 March 2018	43	-
Dividend paid to LSF10 Wolverine Bidco ApS after 29 March 2018	35	-
Total dividend paid in the financial year	**78**	**-**

Transactions

There have been no transactions with the Board of Directors, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration. All transactions are made on an arm's length basis and, according to the Danish Financial Statements Act §98c, 7, they are not disclosed.

Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements for LSF10 Wolverine Investments S.C.A. and Stark Group A/S.

The Consolidated Financial Statements for LSF10 Wolverine Investments S.C.A. may be obtained at the following address:

STARK Group A/S, C.F. Richs Vej 115, 2000 Frederiksberg, Denmark