Stark Group A/S

C.F. Richs Vej 115
2000 Frederiksberg
Denmark

CVR No. 27 06 53 33

Annual Report

1 August 2018 to 31 July 2019

The Annual Report was
presented and adopted
at the Annual General
meeting on 19 December 2019

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 2018 to 31 July 2019.

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 2019 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 2018/19.

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 and the Financial Statements of the Parent company be approved at the Annual General Meeting.

Copenhagen, on 19 December 2019

Executive Board

Søren P. Olesen CEO	Sisse Fjelsted Rasmussen CFO

Board of Directors

Laurits Anton Jørgensen Chairman	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 2018 - 31 July 2019, which comprise the income statement, statement of financial position, 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 2018 – 31 July 2019 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 2019, and of the results of its operations for the financial year 1 August 2018 – 31 July 2019.

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, 19 December 2019

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: 16th 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	19 December 2019

Management's review

Financial highlights for the Group[1]

EUR million	2018/19	2017/18	2016/17	2015/16	2014/15
Income statement					
Net sales	2,299	2,206	2,214	2,250	2,246
Gross profit	585	551	531	555	563
EBITDA	93	173	42	105	113
EBIT	73	148	13	74	85
Financial items, net	(4)	(8)	(4)	(4)	(4)
Result before tax	69	140	9	70	81
Result from discontinued operations	-	(1)	(5)	4	3
Result for the year	57	109	(1)	47	61
Balance sheet					
Total assets	1,194	1,143	1,264	1,314	1,413
Equity	329	319	303	303	263
Investments in property, plant and equipment	45	48	53	43	43
Cash flow					
Cash flow from operating activities	113	103	62	74	111
Cash flow from investing activities	(78)	145	(53)	(37)	(46)
Free cash flow	35	248	9	37	65
Financial ratios[2]					
Net sales growth (%)	4.2%	-0.4%	-1.6%	0.2%	-
Gross profit growth (%)	6.2%	3.8%	-4.3%	-1.4%	-
Gross margin	25.4%	25.0%	24.0%	24.7%	25.1%
EBITDA margin	4.0%	7.8%	1.9%	4.7%	5.0%
EBIT margin	3.2%	6.7%	0.6%	3.3%	3.8%
Return on assets	6.1%	12.9%	1.0%	5.6%	6.0%
Solvencio ratio	27.6%	27.9%	24.0%	23.1%	18.6%
Return on Equity	17.6%	35.0%	(0.3%)	16.6%	23.2%
Key ratios for the on-going business[3/4]					
Net sales on-going business[5]	2,299	2,206	2,151	-	-
Net sales growth on-going business (%)	4.2%	2.6%	-	-	-
Adjusted gross profit[6]	589	555	532	-	-
Adjusted gross profit growth (%)	6.1%	4.3%	-	-	-
Adjusted gross profit margin (%)	25.6%	25.2%	24.7%	-	-
Adjusted EBITDA[7]	118	101	93	-	-
Adjusted EBITDA growth (%)	16.8%	8.6%	-	-	-
Adjusted EBITDA margin (%)	5.1%	4.6%	4.3%	-	-
Adjusted EBIT[8]	98	76	64	-	-
Organic net sales growth (%)[9]	3.8%	3.8%	-	-	-
Organic EBITDA growth (%)[10]	17.8%	10.3%	-	-	-
Net sales on-going business by area:					
Stark DK	952	924	892	-	-
Stark FI	571	563	553	-	-
Beijer	631	575	554	-	-
Neumann	145	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".
   A number of adjusted figures and ratios are included to support the analysis of the underlying performance of the group. For these figures and ratios we present comparison numbers for the year 2016/17 and onwards.
2. The financial ratios have been prepared in accordance with the guidelines issued by the CFA Society Denmark.
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. Only relevant for the year 2016/17.
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 and acquisitions.
10. Organic EBITDA growth is defined as growth in adjusted EBITDA excluding impact from currencies and acquisitions.

STARK GROUP

In Stark Group we build our future by helping others to build theirs. Following our expansion into Germany as of 1 October 2019, we are 10,000 people working across Northern Europe in more than 400 local builders' merchants. Our united strengths enable us to source products globally and supply the craftsmen locally. We aim to keep our customers businesses one step ahead by offering professional advice, an attractive product assortment and competitive prices. On top of that, our superior logistic setup ensure that our customers get the right products, on time, exactly when and where our customers need them.

The year 2018/19 was an important year for Stark Group, where we took significant steps on our strategic journey and continued to build and develop our business during the first year as a stand-alone company following the change in ownership in March 2018 and the carve-out from Ferguson.

With hard work and dedicated efforts from all our people, we achieved a great deal and delivered a strong performance in form of solid top line growth, sustainable margin improvements and a strong cash flow. Our strategy got further anchored across our business units in the Nordic markets, and we saw significant progress in all areas in the same time as we completed two strategic bolt-on acquisitions in Sweden and signed agreements to acquire another two, which will further strengthen our presence in specific growth zones like Stockholm and Skåne and better serve the SME customers.

These acquisitions are in line with our strategy of continuing to consolidate the markets in which we operate to improve our service offering to our customers, widen our geographic footprint and obtain further scale in our sourcing activities. In prolongation hereof, the completion end of September 2019 of our acquisition in Germany of the market leading Saint Gobain Building Distribution Deutschland, almost doubling our revenue, our people and our sourced volume of products, marks a key milestone on the journey of bringing even further scale to be leveraged across all business units in Stark Group.

Following the transformational acquisition in Germany, Stark Group has strengthened the position as a leading distributor of heavy building materials in the Northern part of Europe operating more than 400 branches and employing 10,000 people across Denmark, Sweden, Finland, Norway, Greenland and Germany.

MARKET PERFORMANCE

During the financial year 2018/19, we experienced that the Renovation, Maintenance & Improvement (RMI) market continued at healthy levels, while the overall market started to flatten out due to lower activity in new construction. STARK Denmark, STARK Finland and Neumann in Norway performed in line with the markets, while Beijer in Sweden showed organic growth above the pace of the market.

For the coming 6 to 12 months, we expect the stable and higher margin RMI market to continue growing at healthy levels, while the overall market will flatten out, caused by a cooling of the low margin new construction market. It is important to note, that we do not expect the overall market to drastically decline, but rather plateau at what is still a historically high level.

Furthermore, as Stark Group's focus customer segment (Small and Medium sized Enterprises (SMEs) / craftsmen) is primarily engaged in the RMI market, which is expected to continue growing in contrast to the more volatile and low-margin new construction market, we expect to experience less of a cool down.

STRATEGY IMPLEMENTATION

Overall, strategy implementation progressed according to plan during financial year 2018/19 and continues to be on track. A centrepiece in Stark Group's strategy is to increasingly focus on serving the SME's, as these are inherently more resilient towards economic cycles due to their primary engagement in the more stable RMI market.

During the financial year, Stark Group took a significant step on the journey towards increasing our business with the SMEs by launching several successful initiatives. Examples of initiatives are a new loyalty club tailored to SME customers, successful marketing campaigns (sponsorship of the Danish National Soccer Team and a campaign in Sweden taking the side of the craftsmen), as well as adopting a generally more proactive mindset in our sales force to address SMEs. These initiatives contributed to a higher net number of SME customers whom we do business with.

Our efforts towards leveraging our scale and cross-business unit collaboration on sourcing of products and materials continued to show a good contribution to our gross margin development, as well as supporting our competitiveness in the markets we operate in.

Our strategy to build strong own brands with relevant products to the professional craftsmen continued during the financial year, where our expanded assortment of own brands was well received by our customers leading to a significant increase in the related sales across the Nordics.

All in all, we are very satisfied with the progress on our strategic journey, which we will continue executing over the coming years.

FINANCIAL HIGHLIGTS

Financial review of the on-going business

Last year's change in ownership, our strategic initiatives and our M&A activities have all impacted our financial performance in both 2017/18 and in 2018/19.

The reported income statement for 2017/18 was 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. In 2018/19, the reported income statement is net negatively impacted by non-recurring items related to these initiatives and by costs related to M&A activities, especially the acquisition of the German activities from Saint-Gobain, where the acquisition was completed on 1 October 2019.

In order to better understand and analyze the underlying performance for the Group, we have below included adjusted numbers where we exclude the non-recurring items.

When comparing the performance for 2018/19 with last year's performance the following main adjustments have been made:

2018/19

- Non-recurring costs related to implementation of the new strategy
- Gain from sale of properties
- Costs related to M&A activities as well as other non-recurring items

2017/18

- Non-recurring costs related to implementation of the new strategy
- Gain from sale of selected properties not related to the on-going business
- Costs related to the sale of Stark Group as well as other non-recurring items

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

2018/19 EUR million	Reported	Non-recurring items	Adjusted
Net sales	2,299		2,299
Gross profit	585	(4)	589
Gross margin	25.4%		25.6%
Operating expenses	(492)	(21)	(471)
EBITDA	93	(25)	118
EBITDA margin	4.0%		5.1%

2017/18 EUR million	Reported	Non-recurring items	Adjusted
Net sales	2,206		2,206
Gross profit	551	(4)	555
Gross margin	25.0%		25.2%
Operating expenses	(378)	76	(454)
EBITDA	173	72	101
EBITDA margin	7.8%		4.6%

Income statement

Net sales growth in all of our four business units resulted in an increase in the consolidated net sales by EUR 93 million, or 4.2%, to EUR 2,299 million in 2018/19 from EUR 2,206 million in 2017/18.

The growth was driven by successful execution of our strategy with, among other things, a strong focus on the SME customers.

The two acquisitions in Sweden contributed with EUR 48 million to net sales in 2018/19.

The continued devaluation of especially the SEK had a negative impact on net sales. At fixed exchange rates, the growth in net sales was 5.9%.

Adjusted gross profit increased by EUR 34 million, or 6.1%, to EUR 589 million in 2018/19 from EUR 555 million in 2017/18. Adjusted gross margin increased by 0.4%-point from 25.2% in 202017/18 to 25.6% in 2018/19. The trend was consistent through the year with all business units trading in line or above last year.

The improvement in adjusted gross profit was primarily due to the increase in net sales and partly by an improvement in gross margin. Increased focus on own brand sales and a positive impact from strategic sourcing initiatives and effective price management supported the gross margin development.

Total costs adjusted increased by EUR 3.7% to EUR 471 million in 2018/19 from EUR 454 million in 2017/18. The increase was mainly driven by the two acquisitions in Sweden partly offset by strong cost control and cost saving initiatives across the Group.

Top line growth and an improving gross margin combined with the cost efficiency resulted in an increase in Adjusted EBITDA by EUR 17 million, or 16.8%, to EUR 118 million in 2018/19 from EUR 101 million in 2017/18. Organic EBITDA grew by 17.8%.

Depreciation, amortisation and write-down of non-current assets was EUR 20 million in 2018/19, which was EUR 5 million lower than in 2017/18. Depreciation of buildings decreased by EUR 9 million, mainly due to Management reassessment of lifetime and residual values for the buildings and full-year impact on depreciation from the sale of buildings last year.

The result before tax in 2018/19 of EUR 69 million was a decrease of EUR 71 million compared to 2017/18. The decrease was due to the one-off gain of EUR 97 million in 2017/18 from sale of properties no longer related to the on-going business partly offset by the improvement in performance of the on-going business. Non-recurring expenses in 2018/19 was at the same level as in 2017/18 but were related to different topics.

Tax for the year amounted to EUR 12 million (2017/18: EUR 30 million) and the effective tax rate was 17.0% in 2018/19 (2017/18: 21.3%).

Result for the year was a profit of EUR 57 million in 2018/19 compared to a profit of EUR 109 million in 2017/18. The result for 2018/19 is as expected when taking non-recurring items into consideration.

Statement of financial position

Goodwill, trade names and customer relations amounted to EUR 22 million as of 31 July 2019 compared to zero as of 31 July 2018. The increase was due to the two acquisitions in Sweden.

Net working capital for the Group decreased by EUR 27 million from EUR (129) million as of July 31, 2018 to EUR (156) million as of July 31, 2019. The decrease was primarily driven by an increase in trade and other payables which only partly was offset by an increase in inventories driven by the two acquisitions in Sweden. Trade and other receivables decreased by EUR 6 million with trade receivables being at same level as last year.

Net working capital

EUR million	As of 31 July 2019	31 July 2018
Inventories	280	273
Trade and other receivables	259	265
Trade and other payables	(695)	(667)
Net working capital	**(156)**	**(129)**

Equity increased by EUR 10 million in 2018/19 from EUR 319 million as of 31 July 2018 to EUR 329 million as of 31 July 2019. The increase was primarily due to the result for the year of EUR 57 million reduced by payment of final dividend for last year of EUR 35 million and actuarial loss relating to the accounting for deferred benefit plans of EUR 9 million.

Equity

EUR million	2018/19	2017/18
Equity as of 1 July	319	303
Results for the year	57	109
Interim dividend paid	-	(78)
Final dividend paid	(35)	-
Actuarial gain/(loss) on retirement benefit plans	(9)	(6)
Tax on actuarial gain/(loss) on retirement benefit plans	1	1
Exchange loss on translation of foreign operations	(4)	(10)
Equity as of 31 July	**329**	**319**

Cash flow

Cash flow from operating activities amounted to an inflow of EUR 113 million primarily as a result of the positive results for the year and a drop in working capital, specifically an increase in trade and other payables.

Cash flows from investing activities amounted to an outflow of EUR 78 million. The Group paid EUR 28 million for the two acquisitions in Sweden and net 50 million related to tangible non-current assets of which EUR 35 million were related to purchase and renovation of our properties. Last year, properties no longer related to the on-going business were sold to the former owner resulting in a cash inflow of EUR 195 million.

Cash flows from financing activities were an outflow of EUR 41 million, primarily driven by payment of final dividend for 2017/18 and repayment of a loan related to one of the acquired businesses.

Cash and cash equivalents as of 31 July 2019 amounted to EUR 181 million, a decrease of EUR 8 million compared to 31 July 2018. As of 31 July, the Group had unused credit facilities amounting to EUR 100 million.

CORPORATE SOCIAL RESPONSIBILITY

Decency and responsibility are embedded in the way we conduct our business, and this also applies to the area of corporate social responsibility.

Stark Group has established a Sustainability Advisory Board consisting of 5 executive managers across the Group. The main role of the advisory board is to define the Group's sustainability framework and set targets to ensure a common direction in order to work towards integrated sustainability in all business operations.

Stark Group 's sustainability framework aims to ensure that material issues are identified and that these issues are addressed with relevant policies, targets and actions in order to ensure sustainability as an integral part of how we do business for long-term success. The sustainability framework covers our entire value chain including our most direct impacts related to our operations, as well as our responsibility towards the market.

As a leading building materials distributor in Northern Europe, 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, aiming to reduce our environmental impact and aiming to provide a net positive impact on society.

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. Our values are further supplemented with a Code of Conduct providing guiding principles for our daily behavior, as we want our company to be perceived as honest and trustworthy by employees, customers, suppliers, business partners and society in general.

Stark Group has policies in place 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 Group's 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 2018 to 31 July 2019 and representing the corporate social responsibility presentation of Stark Group as required by the EU Directive 2014/95/EU and 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

We believe that the right people together with the right strategy are the most important elements to deliver strong performance. 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.

The level of engagement of our people is crucial in delivering on our strategic goals, maintaining customer loyalty and ensure overall sustainability of the business. We conduct an annual engagement survey which gives us the opportunity as leaders and employees to understand and further increase the engagement levels across the Group. Challenges, root causes and opportunities for improvements are identified and action plans initiated locally, regionally and nationally. During the past year employee engagement (satisfaction & motivation) survey score was measured at 74, which is significantly higher than the industry average of 69, and the loyalty score came out at 81 versus benchmark of 77. Furthermore, the participation rate was 89% of total employees – an improvement of 8% points versus the year before. All in all, results of which we are very proud.

All our people are trusted and empowered to deliver on our customer promise, and we are pleased to see this year's increase in the Customer Net Promoter Score across our business units confirming the strong and loyal relationship with our customers and the craftsmen we serve.

We value the dedication and hard work contributed by all our employees during the past year, which has been the key driver for our strategic achievements and our strong performance.

EXPECTATIONS TO 2019/20

Based on the achievements of the year together with our strong market positions, continued benefits from our centralized sourcing activities and competent engaged people in all our branches working hard to offer the best service to the craftsmen, we face 2019/20 with confidence. We do acknowledge an overall more hesitant market, but believe that we can benefit from our increasing scale and our strategy with focus on the SME's and the RMI as well as our strong customer promise which will enable us to beat the market and gain market share to fuel our organic growth in the same time as we will pursue relevant and value creating opportunities arising from the consolidation of the Nordic and the German market.

For 2019/20 we expect to deliver low single digit organic growth in Net sales based on the current market development in the same time as we will continue to improve the adjusted EBITDA margin driven by sourcing and pricing initiatives. On top of this we will benefit from the impact of the announced acquisitions in Germany, Sweden and Denmark, which will have a positive impact on topline but dilute margins until all synergies are realised.

Our results for 2018/19 were solid and remarkable positive, and we want to thank our engaged and enthusiastic people as well as our customers and the craftsmen who made this possible. Throughout our more than 160 years' history we have overcome challenges and pioneered the industry and we continue to do so through trust, collaboration and hard work with the ambition to deliver continuous improvements and value creation for all our stakeholders.

Every day, you work hard to build other people's future. So, every day, we work hard to build yours.

SUBSEQUENT EVENTS

Stark Group closely monitor and evaluate potential opportunities arising from the ongoing consolidation of the industry as such opportunities can strengthen our market leading positions and add further scale in our sourcing activities.

The Group entered into an agreement with Compagnie de Saint Gobain SA on 20 May 2019, to acquire Saint Gobain Building Distribution Deutschland GmbH, SGBDD, which is a leading builders' merchant in Germany with a regional stronghold in fast growing Berlin area. The acquisition was completed on 1 October 2019 following approval by relevant authorities.

SGBDD operates a nationwide network of 217 branches from which approximately 5,000 employees serve a wide range of customers in the renovation and new construction sectors through a flexible delivery model. Through several different brands, SGBDD operates in three major business areas, Building materials, Tiles and Civil Engineering. The company generated twelve months net sales of EUR 2 billion and EUR 48 million in adjusted EBITDA end of April 2019.

The purchase price has primarily been financed by a loan from a related group company and secondarily by drawing on the Group's available funds.

With this acquisition, Stark Group will enter into the largest building material market in Europe and double the size in a volume driven business creating significant value for customers and owners. At the same time, the ability to realize additional scale of benefits will be strengthened.

Following the acquisition, Stark Group will significantly expand its footprint in the builders' merchant industry in Northern Europe. SGBDD is well positioned to capture further market share in the large German construction market with consistent demand, which has shown resiliency through economic downturns.

The Group has subsequent to year-end further acquired two Swedish builders merchant chains PoG Woody Bygg handel and Karl Ekesiöö Bygghandel AB, who in total are operating eight branches with a combined annual net sales of approx. EUR 72 million and EUR 3 million in EBITDA.

PoG Woody Bygghandel AB is a strong regional player operating six branches including a distribution warehouse in Southern Sweden, which is an important growth centre for the building materials supply industry.

Karl Ekesiöö Bygghandel AB is operating two branches in attractive locations with substantial building activity in the metro-area of Stockholm, (where Beijer last year acquired the business of Bygg-Ole).

The two acquired businesses are serving professional customers, of which approximately 85 per cent are small and medium-sized professional builders fitting directly into the Stark Group strategy.

The two bolt-on acquisitions will further strengthen Beijers' presence and position in Sweden to serve the professional builders through a future network of 82 branches in total.

As of 13 November 2019, the Group announced the agreement to acquire the business and selected assets from Sjakk A/S in Denmark. The transaction is subject to approval from the authorities.

The two acquisitions in Sweden and the acquisition in Denmark have been financed out of own funds.

As completion of these transactions have taken place very recently, the purchase price allocations and opening balances have not been prepared yet.

Apart from these transactions, no other events have occurred after the balance sheet date that materially affect the Consolidated Financial Statements and the Financial Statements of Stark Group A/S.

THE PARENT COMPANY

Historically, Stark Group A/S has acted as a holding company with no activities apart from holding the shares in Stark Danmark A/S who in turn owned the shares in the Group's other subsidiaries.

However, last year it was decided to restructure the Group and establish a structure reflecting the business and operating model. During that process, Group Management and Group Administration were transferred to Stark Group A/S from Stark Danmark A/S with effect from 1 August 2018. At the same time, Stark Group A/S acquired the shares in the Swedish, Finnish and Norwegian subsidiaries previous belonging to Stark Danmark A/S. The shares were transferred at market value. As part of the restructuring, during 2018/19 Stark Group A/S has received an interim dividend from Stark Danmark A/S of DKK 4,747 million.

Consolidated Income Statement 1 August - 31 July

Note	EUR million	2018/19	2017/18
	Continuing operations		
2	Net sales	2,299	2,206
	Cost of sales	(1,714)	(1,655)
	Gross Profit	**585**	**551**
	Other external operating expenses	(183)	(174)
3	Staff costs	(310)	(300)
4	Other operating income	2	97
	Other operating expenses	(1)	(1)
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**93**	**173**
5	Depreciation, amortisation and writedown of non-current assets	(20)	(25)
	Earnings before interest and tax (EBIT)	**73**	**148**
6	Financial income	2	1
7	Financial expenses	(6)	(9)
	Result before tax	**69**	**140**
8	Tax for the year	(12)	(30)
	Result for the year from continuing operations	**57**	**110**
	Discontinued operations		
9	Result for the year from discontinued operations	-	(1)
	Result for the year	**57**	**109**

Statement of Consolidated Comprehensive Income 1 August - 31 July

EUR million	2018/19	2017/18
Note		
Result for the year	**57**	**109**
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange loss on translation of foreign operations	(4)	(10)
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on retirement benefit plans	(9)	(6)
Tax on actuarial gain/(loss) on retirement benefit plans	1	1
Other comprehensive income/(loss) for the year	(12)	(15)
Total comprehensive income/(loss) for the year attributable to shareholders of the Company	**45**	**94**

Consolidated Statement of Financial Position as of 31 July

Assets as of 31 July

Note	EUR million	2019	2018
	Non-current assets		
	Intangible non-current assets		
10	Goodwill	17	-
11	Trade names	2	-
12	Customer relationships	3	-
13	Software	14	11
	Total intangible non-current assets	**36**	**11**
	Tangible non-current assets		
14	Property	323	297
15	Plant and equipment	42	31
16	Non-currents assets under construction and prepayments for non-current assets	16	19
	Total tangible non-current assets	**381**	**347**
	Financial non-current assets		
	Investment in a joint venture	1	1
22	Deferred tax assets	8	13
35	Receivables from related parties	47	42
	Total financial non-current assets	**56**	**56**
	Total non-current assets	**473**	**414**
	Current assets		
17	Inventories	280	273
18	Trade receivables	231	231
	Corporate tax receivables	1	1
	Other receivables	23	26
	Prepayments	5	8
	Cash and cash equivalents	181	189
	Total current assets	**721**	**728**
19	Assets held for sale	-	1
	Total assets	**1,194**	**1,143**

Consolidated Statement of Financial Position as of 31 July

Equity and Liabilities as of 31 July

Note	EUR million	2019	2018
	Equity		
20	Share capital	1	1
	Translation reserve	(19)	(15)
	Retained earnings	312	298
	Proposed dividend	35	35
	Total equity	**329**	**319**
	Non-current liabilities		
22	Deferred tax	18	17
23	Other provisions	7	5
24	Employee benefit obligations	61	52
35	Payables to related parties	22	24
25	Banks and credit institutions	8	6
	Total non-current liabilities	**116**	**104**
	Current liabilities		
	Trade and other payables	695	667
23	Other provisions	6	12
35	Payables to related parties	43	35
	Corporate tax payable	5	6
	Total current liabilities	**749**	**720**
	Total liabilities	**865**	**824**
	Total equity and liabilities	**1,194**	**1,143**

Consolidated Statement of Changes in Equity

Note	EUR million	Share capital	Translation reserve	Retained earnings	Dividend	Total equity
	Equity as of 1 August 2017	**1**	**(5)**	**307**	**-**	**303**
	Changes in equity for 2017/18					
21	Distribution of profit	-	-	(4)	113	109
	Other comprehensive income	-	(10)	(5)	-	(15)
	Interim dividend paid	-	-	-	(78)	(78)
	Comprehensive income	**-**	**(10)**	**(9)**	**35**	**16**
	Equity as of 31 July 2018	**1**	**(15)**	**298**	**35**	**319**
	Equity as of 1 August 2018	**1**	**(15)**	**298**	**35**	**319**
	Changes in equity for 2018/19					
21	Distribution of profit	-	-	22	35	57
	Other comprehensive income	-	(4)	(8)	-	(12)
	Dividend paid	-	-	-	(35)	(35)
	Comprehensive income	**-**	**(4)**	**14**	**-**	**10**
	Equity as of 31 July 2019	**1**	**(19)**	**312**	**35**	**329**

Consolidated Cash Flow Statement 1 August - 31 July

Note	EUR million	2018/19	2017/18
	Result for the year	57	109
26	Adjustments for non-cash items	34	(34)
27	Changes in w orking capital	35	42
	(Decrease)/increase in provisions and other liabilities	(3)	(11)
	Cash flow from operating activities before financial items and tax	123	106
	Interest received	-	1
	Interest paid	(4)	(9)
	Tax paid/received	(6)	5
	Cash flow from operating activities	**113**	**103**
	Cash flow from investing activities		
28	Acquisition of businesses (net of cash acquired)	(28)	-
29	Disposal of businesses (net of cash disposed of)	-	4
	Purchase of property, plant and equipment	(46)	(48)
	Proceeds from sale of property, plant and equipment	3	195
	Purchase of intangible assets	(7)	(6)
	Cash flow from investing activities	**(78)**	**145**
	Free cash flow	**35**	**248**
	Cash flow from financing activities		
	Proceeds from/(repayments of) related party borrow ings	(4)	28
	Repayments of other borrow ings	(2)	(83)
	Repayment from loans to related party	-	12
	Dividend paid	(35)	(78)
	Cash flow from financing activities	**(41)**	**(121)**
	Net cash (used)/generated	**(6)**	**127**
	Effects of exchange rate changes	(2)	(5)
	Net (decrease)/increase in cash and cash equivalents	**(8)**	**122**
	Cash and cash equivalents at the beginning of the year	189	67
	Cash and cash equivalents at the end of the year	**181**	**189**

Overview of notes to the Consolidated Financial Statements

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 - large 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.

Adoption of new and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. Stark Group has used the modified retrospective approach while implementing IFRS 9 and therefore no comparative figures have been restated.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to the disclosures for 2018/19.

IFRS 9 introduce new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and general hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transitional provisions set out in IFRS 9, meaning that all financial assets and financial liabilities in the Group were classified at amortised cost under IAS 39, and continue to be classified at amortised cost under IFRS 9. Therefore, the new classification requirements in IFRS 9 have not affected the financial statements of the Group.

The Group has in the past experienced insignificant credit losses, and the change from an incurred loss model under IAS 39 to an expected credit loss model under IFRS 9 have not had a material impact on the allowance for credit losses, see note 18.

Impact of initial application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The Group has implemented IFRS 15 in the financial year 2018/19, and elected to apply the cumulative effective method, whereby the cumulative effect of any changes is recognised at the date of application with no adjustments of comparative figures. Under this method, any effect would be included in the retained earnings per 1 August 2018.

The Group recognises revenue from the following major sources:

- Sale of goods in branches
- Sale of goods delivered to clients
- Sale of goods delivered directly from supplier to client

The Group does not have contracts with customers involving multiple performance obligations, delivery over time or significant costs to obtain or fulfil customer contracts, and the implementation of IFRS 15 therefore did not have any material effects on the Consolidated Financial Statements.

The amendments to IFRS 9 and IFRS 15 listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Accounting developments and changes

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

a) IFRS 16 *"Leasing"*

IFRS 16 is effective for annual reporting periods starting 1 January 2019 or later. Thus, the Group will adopt IFRS 16 for the reporting period starting 1 August 2019.

IFRS 16 replaces IAS 17 "Leases" and will change the accounting treatment of leases that are currently treated as operating leases. The standard requires all leases, where the Group is the lessee, regardless of type and with few exceptions, to be recognised in the balance sheet as an asset with a related liability. The lease payments, currently accounted for as operating expenses, will be split into an interest cost and a repayment of the lease liability. The lease assets will be depreciated over the term of the lease contract. Currently, the annual costs

1. Accounting policies and critical estimates and judgements (continued)

relating to operating leases are recognised as a single expense amount in the income statement.

The standard will be implemented using the modified retrospective approach with a right-of-use asset value equal to the lease liability value upon transition. Consequently, 2018/19 comparative figures will be reported according to IAS 17 and will not be restated to reflect IFRS 16. Furthermore, the Group expects to apply the exemptions related to exclusion of low value assets and lease contracts with a contract term of 12 months or less.

The Group has performed a detailed impact assessment of IFRS 16. The assessment includes certain management estimates with the most significant being the estimated discount rate and the expected number of years for contracts including prolongation options for especially contracts related to leasing of land and buildings. The Group has used its incremental borrowing rate as discount rate. The discount rate has been estimated to around 5% p.a. in average. The expected number of years for the leasing contracts with prolongation options is estimated for each contract based upon the Group's strategy plan and local expectations.

As neither the IAS Board nor IFRIC have yet issued any guidelines on IFRS 16, own buildings on leased land is depreciated over the same lifetime as in previous years, which in some cases are longer than the contractually committed leasing period for the land.

In the annual report for 2019/20, right-of-use assets of around EUR 119 million are expected to be recognised in the statement of financial position as of 1 August 2019 and similarly a lease liability of around EUR 119 million is expected to increase net interest-bearing debt. EBITDA is expected to improve by approximately EUR 24 million, and depreciations are expected to increase by around 21 million. The Group expects a slight improvement of EBITA of around EUR 3 million and an increase in financial costs of around EUR 5 million.

Impact of other changes

Apart from the implementation of IFRS 16, the implemented Standards, Improvements, Amendments and Interpretations are not expected to have any significant impact on the financials or the Group's accounting policies, as they cover areas that are not material and/or relevant for the Group.

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 Consolidated Financial Statements. The Group believes that the estimates and assumptions that have been applied in the 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:

I) 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.

II) 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 19 million as of 31 July 2019 (EUR 21 million as of 31 July 2018), see note 17.

III) Provision is made for expected credit 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. In connection with the assessment of whether the Group's provisions for expected credit losses are sufficient, management analyses accounts receivable and estimates lifetime expected credit losses applying a provision matrix as defined in the accounting policy for trade receivables by reference to past default experience and analysis of the current financial position, including historical credit losses, 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. If customer's financial conditions were to deteriorate compared to the assumed trends, it may be necessary to make further write downs in future periods. The Group has a provision for bad debts at EUR 9 million as of 31 July 2019 (EUR 11 million as of 31 July 2018), see note 18.

IV) 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

1. Accounting policies and critical estimates and judgements (continued)

reflects current market assessments of the time value of money. The Group has provided EUR 13 million as of 31 July 2019 (EUR 17 million as of 31 July 2018) to cover for the described risks and claims.

V) Amortisation and depreciation of non-current assets is based upon an expected useful life for the assets and an estimated residual value. Management reassesses expected useful life and the residual value on an on-going basis. When changing the amortisation or depreciation due to a change in the useful life and/or residual value, the effect on depreciation is recognised prospectively as a change in accounting estimates. Reassessment of the useful lifetime and residual value of properties has in 2018/19 resulted in a reduction in the depreciation by EUR 7 million.

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, see note 36 for list of subsidiaries.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation.

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. Deferred tax is calculated on fair value adjustments. 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 initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.Those provisional amounts are adjusted during the measurement period (which cannot exceed one year beyond the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Changes in estimates of contingent consideration that reflect additional information received in the measurement period are adjusted retrospectively. Other 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.

Foreign currencies

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the companies 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 consolidated 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 translation reserve. Such translation reserve is related to subsidiaries and will be recognized in the Profit and Loss Account when/if a subsidiary is sold.

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

1. Accounting policies and critical estimates and judgements (continued)

the income statement when control of the goods has transferred to the customer, being when the goods are delivered 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, we refer to note 2.

Cost of sales

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

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.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc. to directly and indirectly achieve net sales for the year.

Staff expenses

Staff expenses comprise wages and salaries as well as other payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Financial income and expenses

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

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included within intangible assets. Goodwill is allocated to cash generating units or aggregations of cash generating units (together "CGUs"). CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group considers that a CGU is a business unit because independent cash flows cannot be identified below this level.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. For goodwill impairment testing purposes, no CGU is larger than the operating segments determined in accordance with IFRS 8 "Operating Segments". The recoverable amount of goodwill and acquired intangible assets is assessed on the basis of the value in use

1. Accounting policies and critical estimates and judgements (continued)

estimate for CGUs to which they are attributed. Where carrying value exceeds the recoverable amount a provision for the impairment is established with a charge included in the income statement.

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.

Intangible assets, primarily trade names and customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the reducing balance method for customer relationships and the straight-line method for other intangible assets.

The cost of the intangible assets is amortised and charged to operating costs in the income statement over their estimated useful lives as follows:

Customer relationships 4 - 15 years
Trade names with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication of impairment.

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……………………………. up to 35 years
Commercial buildings and office
premises in connection herewith………… up to 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 statement of financial position 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.

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

1. Accounting policies and critical estimates and judgements (continued)

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 and certain trade names, 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.

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 in the Group Consolidated Financial Position 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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The estimate also takes into account the extent to which protection is provided through customer insurance arrangements.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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 in the Statement of Financial Position 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.

Notes to the Consolidated Financial Statements

1. Accounting policies and critical estimates and judgements (continued)

Derivative Financial instruments

Derivative financial instruments are recognized on the trade date and are measured at fair value and have been designated at fair value through Profit and Loss. Positive and negative fair values are included in other current receivables or other current payables in the Statement of Financial Position. Fair value is determined based on generally accepted valuation methods using available observable market data.

Fair value changes are recognized on an ongoing basis in the income statement under financials income/expenses.

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 settling 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 recognised immediately in the Group statement of comprehensive income. Payments to defined contribution schemes are recognised as an expense as they fall due.

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.

Financial highlights information

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

Notes to the Consolidated Financial Statements

EUR million		2018/19	2017/18
Note			
2	**Net sales**		
	Sale of goods	2.299	2.206
	Total net sales	**2.299**	**2.206**
	Geographical markets:		
	Denmark	952	924
	Finland	571	563
	Sweden	631	575
	Norway	145	144
	Total	**2.299**	**2.206**
3	**Staff costs**		
	Salary and wages	256	240
	Pensions - contribution plan	21	20
	Pensions - defined benefit plan	3	2
	Social security costs	30	38
	Total staff costs (continuing)	**310**	**300**
	Total staff costs (discontinued)	**-**	**3**
	Total staff costs for the year	**310**	**303**

Staff costs include DKK 20.3m (2017/18: DKK 0.0m) as remuneration to Executive Management
The Board of Directors has not received any fee.

	2018/19	2017/18
Average number of fulltime employees	5.519	5.499
Number of employees at the end of the financial year	5.762	5.741

4 **Other operating income**

During the financial year 2017/18, properties that were not 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.

Note		2018/19	2017/18
5	**Depreciation, amortisation and write-down of non-current assets**		
	Other intangible assets	5	4
	Buildings	4	13
	Fixtures, fittings, tools and equipment	11	8
	Total amortisation, depreciation and writedown	**20**	**25**
6	**Financial income**		
	Interest from group companies	2	-
	Other financial income	-	1
	Total financial income	**2**	**1**
7	**Financial expenses**		
	Interest to group companies	2	-
	Foreign exchange loss	1	5
	Other financial expenses	3	4
	Total financial expenses	**6**	**9**

Notes to the Consolidated Financial Statements

EUR million		2018/19	2017/18
Note			
8	**Tax for the year**		
	Current tax	11	22
	Deferred tax	7	9
	Adjustment of current tax regarding previous years	(4)	(1)
	Adjustment of deferred tax regarding previous years	(2)	-
	Adjustment of deferred tax due to changes in tax rates	0	-
	Total income tax for the year	**12**	**30**
	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
	Adjustment of calculated tax in foreign Group entities relative to 22,0%	0.1	-
	Non-taxable income	(1.8)	(3.0)
	Non-deductible items	6.2	2.5
	Adjustments relating to prior years	(10.0)	(0.6)
	Adjustments due to change in tax rates	0.5	-
	Other adjustments	-	0.4
	Tax rate on profit before tax	**17.0**	**21.3**
9	**Result for the year from discontinued operations**		
	Net sales	-	18
	Cost of sales	-	(12)
	Gross Profit	**-**	**6**
	Expenses	-	(6)
	Result before tax	**-**	**-**
	Tax for the year	-	-
	Result for the year	**-**	**-**
	Loss on disposal	-	(1)
	Result for the year from discontinued operations	**-**	**(1)**
	Cash flows from discontinued operations		
	Net cash flow from operations	-	(7)
	Cash flows from investing activities	-	2
	Cash flows from financing activities	-	(8)
	Net cash (used)/generated from discontinued operations	**-**	**(13)**

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 year ended 31 July 2018.

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

Notes to the Consolidated Financial Statements

EUR million		2018/19	2017/18
Note			
10	**Goodwill**		
	Cost at the beginning of the period	-	-
	Business acquisitions	17	-
	Exchange rate adjustment	0	-
	Cost at the end of the period	17	-
	Impairment losses at the beginning of the period	-	-
	Accumulated impairment losses at the end of the period	-	-
	Carrying amount at the end of the period	**17**	**-**
	The carrying amount of goodwill by segment is as follows:		
	Sweden	17	-
	Group	**17**	**-**
11	**Trade names**		
	Cost at the beginning of the year	-	-
	Business acquisitions	2	-
	Exchange rate adjustment	0	-
	Cost at the end of the year	2	-
	Amortisation and writedown at the beginning of the year	-	-
	Amortisation and writedown at the end of the year	-	-
	Carrying amount at the end of the year	**2**	**-**
12	**Customer relationships**		
	Cost at the beginning of the year	1	1
	Business acquisitions	4	-
	Exchange rate adjustment	0	0
	Cost at the end of the year	5	1
	Amortisation and writedown at the beginning of the year	(1)	(1)
	Amortisation for the year	(1)	-
	Exchange rate adjustment	0	0
	Amortisation and writedown at the end of the year	(2)	(1)
	Carrying amount at the end of the year	**3**	**-**
13	**Software**		
	Cost at the beginning of the year	16	18
	Additions	7	6
	Disposals	-	(8)
	Exchange rate adjustment	0	0
	Cost at the end of the year	23	16
	Amortisation and writedown at the beginning of the year	(5)	(6)
	Amortisation for the year	(4)	(4)
	Disposals	-	5
	Exchange rate adjustment	0	0
	Amortisation and writedown at the end of the year	(9)	(5)
	Carrying amount at the end of the year	**14**	**11**

EUR million		2018/19	2017/18
Note			
14	**Property**		
	Cost at the beginning of the year	519	681
	Business acquisitions	3	-
	Additions	16	21
	Disposals	(1)	(177)
	Transfers	15	7
	Reclassification as held for sale	-	(2)
	Exchange rate adjustment	(6)	(11)
	Cost at the end of the year	546	519
	Depreciation and writedown at the beginning of the year	(222)	(294)
	Depreciation and writedown for the year	(4)	(13)
	Disposals	1	81
	Reclassification as held for sale	-	1
	Exchange rate adjustment	2	3
	Amortisation, depreciation and writedown at the end of the year	(223)	(222)
	Carrying amount at the end of the year	**323**	**297**

Assets held for sale as of 31 July 2018 amounted to EUR 1 million and relates to properties in Sweden.

Impairment assessment recognised in the year
During the years, the Group performed a review of the recoverable amount of its branches and the related buildings. The impairment assessment carried out in 2017/18 and 2018/19 did not lead to recognition of impairment losses.

Depreciation for the year is impacted by change in estimates for residual values and useful lives reducing depreciation charge by EUR 7m for 2018/19.

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

		2018/19	2017/18
15	**Plant and equipment**		
	Cost at the beginning of the year	70	65
	Business acquisitions	4	-
	Additions	11	7
	Disposals	(3)	(5)
	Transfers	9	6
	Exchange rate adjustment	(2)	(3)
	Cost at the end of the year	89	70
	Depreciation and writedown at the beginning of the year	(39)	(36)
	Depreciation and writedown for the year	(11)	(8)
	Disposals	3	4
	Transfers	(1)	-
	Exchange rate adjustment	1	1
	Amortisation, depreciation and writedown at the end of the year	(47)	(39)
	Carrying amount at the end of the year	**42**	**31**

Notes to the Consolidated Financial Statements

EUR million		2018/19	2017/18
Note			
16	**Non-currents assets under construction and prepayments for non-current assets**		
	Cost at the beginning of the year	19	14
	Additions	19	20
	Disposals	-	(1)
	Transfers	(22)	(13)
	Exchange rate adjustment	-	(1)
	Carrying amount at the end of the year	**16**	**19**
17	**Inventories**		
	Trading goods	299	294
	Provision for excess and obsolete goods	(19)	(21)
	Total inventories	**280**	**273**
18	**Trade receivables**		
	Trade receivables, gross	240	242
	Provision for bad debt losses	(9)	(11)
	Net Trade receivables	**231**	**231**
	Of this, due after more than 1 year	-	-

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

	2018/19	2017/18
At 1 August	(11)	(10)
Net charge for the year	(1)	(5)
Utilised in the year	3	4
As of 31 July	**(9)**	**(11)**

Trade and other receivables have been aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

	2018/19	2017/18
Amounts not yet due	202	199
Past due not more than one month	24	27
Past due more than one month and less than two months	3	2
Past due more than two months and less than three months	1	1
Past due more than three months and less than six months	0	1
Past due more than six months	1	1
As of 31 July	**231**	**231**

The provision for impairment on trade receivables as of 31 July 2019	Expected default rate	Gross carrying amount	Provision
Amounts not yet due	0.3%	205	0
Past due not more than one month	3.7%	24	1
Past due more than one month and less than two months	22.6%	2	0
Past due more than two months and less than three months	42.7%	1	0
Past due more than three months and less than six months	72.0%	0	0
Past due more than six months	98.0%	8	8
As of 31 July		**240**	**9**

EUR million		2018/19	2017/18
Note			
19	**Assets held for sale**		
	Properties held for sale	-	1
	Total assets held for sale	**-**	**1**

Assets held for sale in 2017/18 related to properties in Sweden, which have been sold in 2018/19.

20 **Share capital**

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

		2018/19	2017/18
21	**Proposed distribution of profit:**		
	Interim dividend	-	78
	Final dividend declared	-	35
	Retained earnings	57	(4)
	Total	**57**	**109**

		2018/19	2017/18
22	**Deferred tax assets and liabilities**		
	Deferred tax assets	8	13
	Deferred tax liabilities	(18)	(17)
	Total	**(10)**	**(4)**
	Deferred tax relates to:		
	Intangible assets	(3)	(1)
	Property, plant and equipment	(14)	(11)
	Receivables	0	0
	Inventory	3	4
	Other liabilities	4	4
	Total	**(10)**	**(4)**

The Group has an unrecognized deferred tax asset of EUR 21 million (31 July 2018: EUR 21 million) relating to tax loss carry forwards where the timing of future utilization is not certain.

EUR million

Note

23 **Other provisions**

2018/19	**Environ-mental and Legal**	**Restruc-turing**	**Other provisions**	**Total**
At 31 July 2018	2	2	13	17
Utilised in the year	(1)	(2)	(2)	(5)
Charge/(credit) for the year	-	2	(1)	1
As of 31 July 2019	**1**	**2**	**10**	**13**

2017/18				
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)
As of 31 July 2018	**2**	**2**	**13**	**17**

	2018/19	**2017/18**
Other provisions can be specified as follow s:		
Dilapidation costs	4	5
Warranty commitments	2	2
Not elsew here classified	4	6
Total other provisions	**10**	**13**
Maturity of provisions are expected to be:		
Within 1 year	6	12
Betw een 1 and 5 years	7	5
Total other provisions	**13**	**17**

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.

24 **Employee benefit obligations**

The Group has entered into pensions plans with a considerable number of the Group´s employees. The Group has 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		2019	2018
Note			
24	**Employee benefit obligations (continued)**		
	Financial impact of plans		
	Analysis of balance sheet liability		
	Fair value of plan assets	9	9
	Present value of defined benefit obligation	(70)	(61)
	Net deficit recognised in balance sheet	**(61)**	**(52)**
	Analysis of total expense recognised in income statement		
	Current service cost	(3)	(2)
	Past service cost and gain from settlements	-	-
	Charged to operating costs	**(3)**	**(2)**
	Interest on pension liabilities	(2)	(1)
	(Credited)/charged to finance costs	**(2)**	**(1)**
	Total expense recognised in income statement	**(5)**	**(3)**
	Analysis of amount recognised in the statement of comprehensive income		
	Actuarial gain/(loss)	(9)	(6)
	Taxation	1	1
	Total amount recognised in the statement of comprehensive income	**(8)**	**(5)**
	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	-	-
	As of 31 July	**9**	**9**
	Actual return on plan assets	**-**	**-**

EUR million	2019	2018
Note		
24 **Employee benefit obligations (continued)**		
Present value of defined benefit obligation		
At 1 August	(61)	(58)
Current service cost	(3)	(2)
Interest cost	(2)	(2)
Benefits paid	2	2
Actuarial gain/(loss) - demografic assumptions	(8)	(3)
Actuarial gain/(loss) - financial assumptions	(1)	(2)
Currency translation	3	4
As of 31 July	**(70)**	**(61)**
Analysis of present value of defined benefit obligation		
Amounts arising from w holly unfunded plans	(60)	(51)
Amounts arising from plans that are w holly or partly funded	(10)	(10)
As of 31 July	**(70)**	**(61)**
Analysis of present value of plan assets		
Property	1	1
Loans	1	2
Bonds	4	4
Cash at bank	2	1
Shares and other alternative investments	1	1
As of 31 July	**9**	**9**

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

	2019	2018
Discount rate	1.71%	2.71%
Rate of inflation	1.90%	2.00%
Increases to pensions in payment	1.90%	2.00%
Increase in salary	2.87%	2.87%
Current pensioners	799	752
Future pensioners	607	602

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 -5% or +5% respectively.
A change in the inflation of +/-0,25% respectively would impact the defined benefit obligation by +4% or -3% 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		2019	2018
Note			
25	**Banks and credit institutions**		
	Non-current		
	Secured bank loans	8	6
	Carrying amount	**8**	**6**
	Total Banks and credit institutions	**8**	**6**
	Between 1 and 5 years	2	-
	After 5 years	6	6
	Carrying amount	**8**	**6**

Secured bank loans relate to Danish mortgages with fixed interest rates. The weighted interest rate on the loans was 1.7% in 2018/19 and 2017/18. The bank loans are secured against the Group's freehold properties.

		2018/19	2017/18
26	**Adjustments for non-cash items**		
	Financial income	(2)	(1)
	Financial expenses	6	9
	Amortisation, depreciation and writedown, including gain/loss from sale of assets	18	(72)
	Tax	12	30
	Adjustments for non cash-items	**34**	**(34)**

27	**Changes in working capital**		
	(Increase)/decrease in inventories	(4)	(22)
	(Increase)/decrease in trade and other receivables	19	11
	Increase/(decrease) in trade and other payables	20	53
	Changes in working capital	**35**	**42**

EUR million

Note

28 **Acquisition of businesses**

The Group has during FY19 acquired 100% of two businesses in Sweden, Byggvaruhuset i Trelleborg Aktiebolagat on 3 September 2018 and Nacka Trä & Byggvaror, Sven Gustafsson Aktiebolag on 30 November 2018.

The assets and liabilities acquired and the consideration for the acquisitions are as follows:

	2018/19
Intangible assets:	
- Customer relationships	4
- Trade names	2
Property, plant and equipment	7
Inventories	7
Receivables	11
Cash, cash equivalents and bank overdrafts	5
Trade and other payables	(13)
Borrowings	(5)
Deferred tax	(2)
Total	16
Goodwill arising	17
Consideration	33

The net outflow of cash in respect of the purchase of the business is as follows:

Cash payment	33
Total consideration	33
Cash and cash equivalents acquired	(5)
Net cash outflow	**28**

The significant estimates relate to the valuation of trade names, customer relations and properties.

The goodwill arising on the acquisitions is attributable to the workforce and the anticipated profitability and synergies of the acquisitions going forward. The recognised goodwill is not tax deductible.

The acquisitions in 2018/19 contributed EUR 48 million to net sales and EUR 1 million to Profit after tax from the days of acquisitions to 31 July 2019.

The two acquisitions in total have 12 months' net sales of EUR 73 million and earnings before interest and tax of EUR 3 million.

The Group entered into an agreement with Compagnie de Saint Gobain SA on 20 May 2019, to acquire Saint Gobain Building Distribution Deutschland GmbH, SGBDD, which is a leading builders' merchant in Germany with a regional stronghold in fast growing Berlin area.

The acquisition has a cash enterprise value of EUR 231 million and was subject to approval by relevant authorities. These authorities have approved the agreement in September 2019 and the closing and takeover of SGBDD was effectuated 1 October 2019 from which date it will be consolidated into Stark Group accounts.

The Group has subsequent to year-end acquired the two builders merchant chains Karl Ekesiöö Bygghandel AB and PoG Woody Bygghandel, who in total are operating eight branches in Sweden with a combined annual net sales of approx. EUR 72 million and EUR 3 million in EBITDA.

As of 13 November 2019, the Group announced the agreement to acquire the business and selected net assets from Sjakk A/S in Denmark. The transaction is subject to approval from the authorities.

Due to the dates of taking over the four acquisitions, it has not yet been practicable to prepare the opening balances for the four acquisitions.

EUR million

Note

29 **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.

	2018/19	2017/18
Gain/(Loss) on disposal		
Total consideration	-	19
Net assets disposed of	-	(16)
Disposal costs and provisions	-	(5)
Gain/Loss on disposal	**-**	**(2)**
Net cash inflow/(outflow)		
Cash consideration received	-	19
Cash disposed	-	(13)
Disposal costs paid	-	(2)
Net cash inflow	**-**	**4**

30 **Operating leases**

The Group leases property and equipment under operating leases. The lease terms are typically 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:

	2019	2018
Due within one year	27	22
Due in two to five years	61	51
Due after 5 years	28	14
Total minimum lease commitments	**116**	**87**

31 **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 corporation tax payable for the year is disclosed in the annual report of LSF10 Wolverine Bidco ApS, which is the management company for joint taxation. 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.

EUR million

Note

32 Fee to statutory auditors

	2018/19	2017/18
Statutory audit	1	1
Assurance engagements	0	0
Tax advisory	0	0
Other services	0	0
Total fee to statutory auditors	**1**	**1**

33 Financial instruments and 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.

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.

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 into any forward currency contracts during the financial years ended 31 July 2019 and 31 July 2018.

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.

Customer insurance

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.

EUR million

Note

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

Interest rate risk

The Group is due to its operations, investments 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:

	Floating	Fixed	Total
31 July 2019			
EUR, DKK and SEK	164	-	164
Other currencies	9	-	9
Total 31 July 2019	**173**	**-**	**173**
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 2019 carried an average interest rate of 1.7% (31 July 2018: 1.7%).

Financial instruments

Carrying amount of financial instruments by category:

	2018/19	2017/18
Financial assets		
Financial assets at fair value through profit and loss	-	-
Trade receivables	231	231
Other receivables	23	26
Net trade and other receivables	254	257
Receivables from related parties	47	42
Net trade and other receivables	**301**	**299**
Financial liabilities		
Trade and other payables	(695)	(667)
Less: Tax and social security	37	33
Less: Payroll accruals	33	36
Net trade and other payables (current)	(625)	(598)
Payables to related parties (note 35)	(65)	(59)
Borrowings (note 25)	(8)	(6)
Financial liabilities at amortised cost	**(698)**	**(663)**

Maturity of the financial liabilities is as follows:

At 31 July 2019	**Trade and other payables**	**Debt**	**Interest on debt**	**Total**
Due in less than one year	(625)	(65)	(2)	(692)
Due in over five years	-	(8)	-	(8)
Total	**(625)**	**(73)**	**(2)**	**(700)**

At 31 July 2018	**Trade and other payables**	**Debt**	**Interest on debt**	**Total**
Due in less than one year	(598)	(59)	-	(657)
Due in over five years	-	(6)	-	(6)
Total	**(598)**	**(65)**	**-**	**(663)**

EUR million

Note

34 **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 facility 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 facility was not drawn at 31 July 2019. After 31 July 2019 a new Senior Revolving Credit Facility has been agreed to replace the EUR 100 million Super Senior Revolving Credit Facility.

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.

35 **Related parties' transactions**

In the previous financial year, 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 (Parent entity), 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 in the comparable figures.

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. (Luxembourg)

The Consolidated Financial Statements for LSF 10 Wolverine Investments S.C.A. may be obtained at the following address:

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

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 participated 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. All loans with the Fergusson group were repaid before 31 July 2018.

EUR million

Note

35 **Related parties' transactions (continued)**

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)	01/08/17-29/03/18
Ferguson group management fees, services	2
GSTS Group IT costs, services	2
Group insurance costs, services	2
Group share based payments (note 3), renumeration	1

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 2019

Transactions with related parties (parent companies)	2018/19	29/03/18 - 31/07/18
Interest paid	2	0
Interest received	2	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 at the end of the reporting period:

	2019	2018
Amounts receivable from related parties		
LSF10 Wolverine Bidco ApS	47	42
Total receivables at 31 July	**47**	**42**
Maturity are specified as follow s:		
Later than 5 years	47	42
At 31 July	**47**	**42**

EUR million

Note

35 **Related parties' transactions (continued)**

	2018	2018
Amounts payable to related parties		
LSF10 Wolverine Bidco ApS	65	59
Total payables at 31 July	**65**	**59**
Maturity are specified as follows:		
Within 1 year	43	35
Between 1 and 5 years	3	5
Later than 5 years	19	19
At 31 July	**65**	**59**

Other transactions with related parties

The following transactions ocurred with related parties:

	2018/19	01/08/17-29/03/18
Dividend paid to Ferguson Holding A/S before 29 March 2018	-	43
Dividend paid to LSF10 Wolverine Bidco ApS after 29 March 2018	35	35
Total dividend paid in the financial year	**35**	**78**

36 **List of group companies**

Name	Country	Voting and ownership share
Parent:		
STARK Group A/S	Denmark	
Subsidiaries:		
Stark Suomi Oy	Finland	100%
Starkki Property Oy	Finland	100%
DT Holding (Sweden) AB	Sweden	100%
Beijer Byggmaterial AB	Sweden	100%
Vagn Jensens Byggkomponenter AB	Sweden	100%
Vivaldi AB	Sweden	51%
Beijer Byggmaterial i Uppsala AB	Sweden	100%
KB Huggjärnet 6 KB	Sweden	100%
KB Näringen 8:4	Sweden	100%
Neumann Bygg AS	Norway	100%
STARK Danmark A/S	Denmark	100%
Electro Energy A/S	Denmark	100%
Hobro Ny Trælast A/S	Denmark	100%
Stark Kalaallit Nunaat A/S	Greenland	100%
Stark Group Holding Germany GmbH	Germany	100%

Income Statement 1 August - 31 July - Parent Company

Note	DKK '000	2018/19	2017/18
2	Net sales	132.086	-
	Cost of sales	-	-
	Gross Profit	**132.086**	**-**
	Other external expenses	(141.061)	(75)
3	Staff costs	(79.468)	-
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**(88.443)**	**(75)**
4	Depreciation, amortisation and writedown of non-current assets	(1.391)	-
	Earnings before interest and tax (EBIT)	**(89.834)**	**(75)**
	Income from investments in subsidiaries	260.750	260.750
5	Financial expenses	(41.924)	(21.883)
	Result before tax	**128.992**	**238.792**
6	Tax for the year	9.542	999
	Result for the year	**138.534**	**239.791**
10	**Proposed distribution of profit:**		
	Interim dividend paid	-	586.231
	Proposed dividend	261.000	260.750
	Retained earnings	(122.466)	(607.190)
	Total	**138.534**	**239.791**

Statement of Financial Position as of 31 July - Parent Company

Note	DKK '000	2019	2018
	Assets		
	Non-current assets		
7	**Tangible non-current assets**		
	Plant and equipment	4.762	-
	Plant and equipment in progress	47	-
	Total tangible non-current assets	**4.809**	**-**
	Financial non-current assets		
8	Investments in subsidiaries	2.275.638	2.275.451
	Total financial non-current assets	**2.275.638**	**2.275.451**
	Total non-current assets	**2.280.447**	**2.275.451**
	Current assets		
	Receivables from related parties	23.584	525
	Other receivables	21.262	9.402
	Cash and cash equivalents	150	214
	Total current assets	**44.996**	**10.141**
	Total assets	**2.325.443**	**2.285.592**
	Equity and liabilities		
	Equity		
9	Share capital	10.403	10.403
	Retained earnings	168.268	290.734
	Dividend	261.000	260.750
	Total equity	**439.671**	**561.887**
	Non-current liabilities		
11	Deferred tax	32	-
	Total non-current liabilities	**32**	**-**
	Current liabilities		
	Trade payables	15.047	-
	Other payables	149.087	-
	Payables to related parties	1.721.606	1.723.705
	Total current liabilities	**1.885.740**	**1.723.705**
	Total liabilities	**1.885.772**	**1.723.705**
	Total equity and liabilities	**2.325.443**	**2.285.592**

Statement of Changes in Equity - Parent Company

Note	DKK '000	Share capital	Retained earnings	Dividend	Total equity
	Equity at 1 August 2017	**10.403**	**897.924**	**-**	**908.327**
	Interim dividend paid	-	-	(586.231)	(586.231)
10	Distribution of profit	-	(607.190)	846.981	239.791
	Equity at 31 July 2018	**10.403**	**290.734**	**260.750**	**561.887**
	Equity at 1 August 2018	**10.403**	**290.734**	**260.750**	**561.887**
	Dividend paid	-	-	(260.750)	(260.750)
10	Distribution of profit	-	(122.466)	261.000	138.534
	Equity at 31 July 2019	**10.403**	**168.268**	**261.000**	**439.671**

Notes to the Financial Statements - Parent Company

1. Accounting Policies
The Annual Report of Stark Group A/S for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C - middle-sized enterprises.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018/19 are presented in TDKK.

Cash flow statements
With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Stark Group A/S, Stark Group A/S has not prepared a cash flow statement for the parent company.

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.

Foreign currencies
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 income statement.

Income Statement

Net sales
Net sales comprise the fair value of consideration received or receivable for the sale of services to group companies. Net sales from the sale of services is recognised in the income statement when the service has been performed.

Net sales is recorded net of discounts/offers and value added taxes

Other external expenses
Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc. to directly and indirectly achieve net sales for the year.

Staff expenses
Staff expenses comprise wages and salaries as well as other payroll expenses.

Depreciation and impairment losses
Depreciation and impairment losses comprise depreciation and impairment of plant and equipment.

Income from investments in subsidiaries
Dividend from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary.

Dividend received from Stark Danmark A/S in connection with the change of the group structure has been recognised as a reduction to the cost price of the subsidiaries.

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

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Notes to the Financial Statements - Parent Company

1 Accounting Policies (continued)

Balance Sheet

Plant and equipment
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 plant, machinery and equipment and which are related to the period of construction are expensed on a current basis 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:

Plant and equipment………………………..3 - 10 years

Property, plant and equipment under construction are not depreciated.

Leases
Leases with terms in which Stark Group A/S 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 rate 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 Company.

The related 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.

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.

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.

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 Company, 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 income statement over the term of the borrowings on an effective interest basis.

Trade payables
Trade payables are measured at net realisable 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.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective 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. Surcharges or refunds under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Current tax liabilities and receivables are recognized in the balance sheet as a payable to or a receivable from the tax administration company and is included in receivables from or payables to related parties.

Notes to the Financial Statements - Parent Company

DKK '000		2018/19	2017/18
Note			
2	**Net sales**		
	Service fees from group enterprises	132.086	-
	Total net sales	**132.086**	**-**
3	**Staff costs**		
	Salaries and w ages	74.747	-
	Pensions	4.417	-
	Other expenses for social security	304	-
	Total staff costs	**79.468**	**-**
	Average number of fulltime employees	58	-

Staff costs include DKK 20.3m as remuneration to Executive Management (2017/18: DKK 0m). The Board of Directors has not received any fee. With reference to the Danish Financial Statements Act §98, 3, the remuneration to the Executive Board has not been disclosed for 2017/18, as it only consisted of one person.

Note		2018/19	2017/18
4	**Depreciation, amortisation and writedown of non-current assets**		
	Fixtures, fittings, tools and equipment	1.391	-
	Total depreciation. amortisation and writedown	**1.391**	**-**
5	**Financial expenses**		
	Interest paid to group enterprises	(36.847)	(21.880)
	Other financial expenses	(4.604)	(3)
	Foreign exchange losses	(473)	-
	Total financial expenses	**(41.924)**	**(21.883)**
6	**Tax for the year**		
	Current tax	6.394	999
	Deferred tax	(32)	-
	Adjustment of current tax regarding previous years	3.180	-
	Total tax for the year	**9.542**	**999**

Notes to the Financial Statements - Parent Company

DKK '000

Note

7 **Tangible non-current assets**

	Plant and equipment	Property, plant and equipment in progress
Cost as of 1 August 2018	-	-
Additions	6.153	47
Cost as of 31 July 2019	**6.153**	**47**
Depreciation and impairment as of 1 August 2018	-	-
Depreciation for the year	(1.391)	-
Depreciation and impairment as of 31 July 2019	**(1.391)**	**-**
Carrying amount at the end of the year	**4.762**	**47**

8 **Investments in subsidiaries**

	2019	2018
Cost as of 1 August	2.275.451	2.275.451
Additions	4.747.543	-
Additions funded through dividends received	(4.747.356)	-
Cost as of 31 July	**2.275.638**	**2.275.451**
Impairment as of 31 July	**-**	**-**
Carrying amount at the end of the year	**2.275.638**	**2.275.451**

Investments in subsidiaries are specified as follows:

Name	Country	Voting and ownership share
Subsidiaries:		
Stark Suomi Oy	Finland	100%
Starkki Property Oy	Finland	100%
DT Holding (Sweden) AB	Sweden	100%
Beijer Byggmaterial AB	Sweden	100%
Vagn Jensens Byggkomponenter AB	Sweden	100%
Vivaldi AB	Sweden	51%
Beijer Byggmaterial i Uppsala AB	Sweden	100%
KB Huggjärnet 6 KB	Sweden	100%
KB Näringen 8:4	Sweden	100%
Neumann Bygg AS	Norway	100%
STARK Danmark A/S	Denmark	100%
Electro Energy A/S	Denmark	100%
Hobro Ny Trælast A/S	Denmark	100%
Stark Kalaallit Nunaat A/S	Greenland	100%
Stark Group Holding Germany GmbH	Germany	100%

Notes to the Financial Statements - Parent Company

DKK '000

Note

9 **Share capital**

The Company's share capital consists of 10,403,718 issued shares of DKK 1 nominal value.

There has been no change in the share capital during the last five years.

		2019	2018
10	**Proposed distribution of profit:**		
	Interim dividend	-	586.231
	Final dividend declared	261.000	260.750
	Retained earnings	(122.466)	(607.190)
	Total	**138.534**	**239.791**
11	**Deferred tax liabilities**		
	Deferred tax liability as of 1 August	-	-
	Amounts recognised in the income statement for the year	32	-
	Deferred tax liability as of 31 July	**32**	**-**
	Deferred tax relates to:		
	Plant and equipment	32	-
	Deferred tax liability as of 31 July	**32**	**-**

12 **Assets pledged as security**

Shares in subsidiaries with a carrying amount of DKK 2,276 million have been pledged as security for bond debt amounting to EUR 515 million (DKK 3,846 million) and Revolving Credit facilities of EUR 100 million (DKK 747 million) in the group company, LSF10 Wolverine Investments S.C.A.

13 **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 other Danish group companies. The total amount of corporation tax payable for the year is disclosed in the annual report of LSF10 Wolverine Bidco ApS, which is the management company for joint taxation purposes. 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.

14 **Operating leases**

	2018/19	2017/18
Due within one year	832	-
Due in two to five years	1.651	-
Total minimum lease commitments	**2.483**	**-**

Notes to the Financial Statements - Parent Company

15 **Related parties**

Controlling interest
LSF10 Wolverine Bidco ApS - CVR No. 39 16 37 64, is the parent company and owns 100% of the share capital of the Company. Ultimately, Mr. John Patrick Grayken controls 95.04% of the share capital and the voting rights and has significant influence.

The Company's other related parties with significant influence comprise 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 Managers. Furthermore, transactions with the respective companies executive boards, supervisory boards and senior employees and their immediate family members are considered related parties. Related parties also include companies where before mentioned persons have significant interests.

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