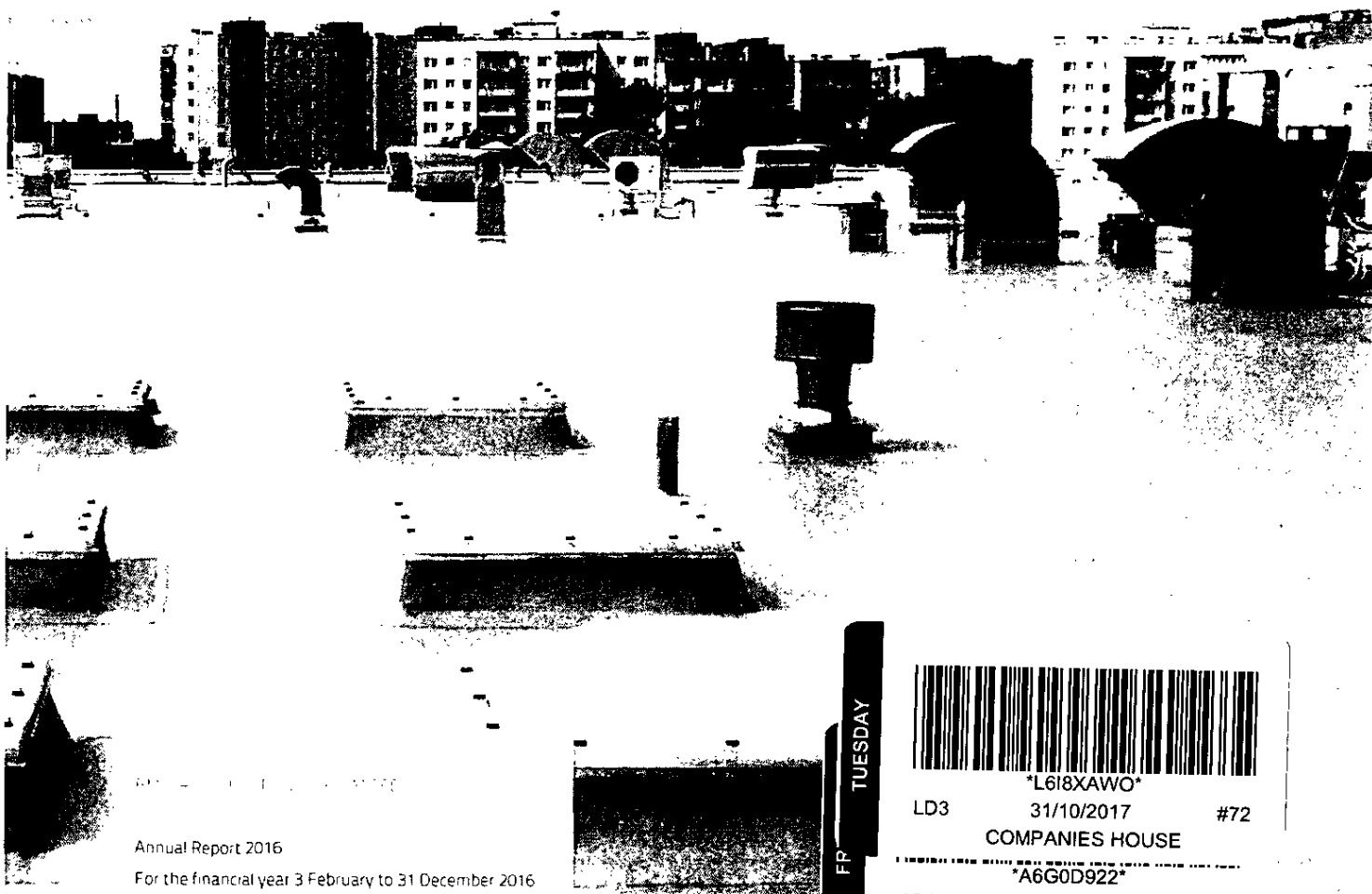


Annual Report 2016



Annual Report 2016

Annual Report 2016

For the financial year 3 February to 31 December 2016

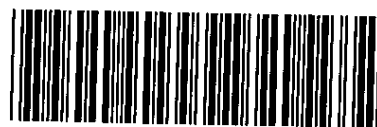
Company number 09984607 20 Air Street, London

Approved at the Annual General Meeting, 21 June 2017

Chairman

Sam & Sam

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COMPANIES HOUSE

Company Information

BMI Group Holdings UK Limited

4th Floor
20 Abchurch Lane
London EC4N 3DF
United Kingdom

Company Number: 10294527
Registered office: 20 Abchurch Lane, London EC4N 3DF

Directors

Michael Anthony Russell
James M. Hill
Michael George W. Jordan

Auditors

Ernst & Young LLP
15th Floor, One Bank
Rue de la Loi
1049 Brussels
Belgium

BMI Group Holdings UK Limited Annual Report **2016**

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STRATEGIC REPORT

INTRODUCTION

BMI Group Holdings UK Limited ("BMI" or "the Company") was established when Standard Industries Inc., ("the ultimate parent company") United States of America, made entrance into the European roofing Market in 2016.

On 4 April 2016, BMI acquired 100% shares in the Icopal Group ("Icopal") as a share-deal from the former owner Investcorp. Other entities incorporated in the United Kingdom (UK) during the year as subsidiaries of the Company include Quest Construction Products UK Ltd. ("Quest") and BMI Group Management UK Limited. Cortes is managed from the United Kingdom through BMI Group Management UK Limited.

The Company and its subsidiaries are, together, referred to as "the Group" in the annual report 2016.

BMI acts as a holding company for Icopal and Quest, with Icopal being the main driver of activity.

ORGANISATION AND GLOBAL FOOTPRINT

On 4 April 2016, BMI acquired Icopal, from the former owner Investcorp. For more than 165 years, Icopal has focused on innovation and on delivering high quality waterproofing products and service to our customers. Since April 2016, Icopal, together with GAF (a subsidiary of the ultimate parent company based in the United States), operate as the world's largest manufacturer of roofing and waterproofing solutions.

Icopal is present throughout Europe, with headquarters in Copenhagen and London. At present, Icopal has 33 production sites, using state of the art production technology and 87 offices with committed teams holding unique track records in innovation and customer satisfaction and a strong environmental profile.

We strive to be the preferred partner for waterproofing and protection of any building or construction. The basis for achieving this vision is our ability to supply a complete range of waterproofing solutions to meet the needs of our existing and potential customers and to use our technical expertise to complete the most demanding waterproofing jobs. The high quality and reliability, constant innovation through research and development and leading technology of our products and services are key factors in our success.

Icopal always strives to exceed the expectations of our customers, which count distributors, installers, architects, building specifiers and building owners. Based on our wide-ranging product line, unique product features, technical skills, vast experience and innovative thinking, Icopal provides optimal solutions to meet specific customers' needs. High quality and

high performance products and services are the common denominators for all product groups.

KEY PRIORITIES

The Icopal corporate culture focuses on manufacturing excellence, a strong customer focus and innovation.

FUNCTIONAL EXCELLENCE

Creating structures and processes that continuously allow Icopal to improve all aspects of our operations.

CAREER DEVELOPMENT

Providing the best platform for growth for all employees to advance their careers in line with talent, experience and ambition.

INNOVATION

Always providing superior products and levels of service by being a multicultural and diverse company that focuses on innovation through local strength.

VALUE ADDED DIFFERENTIATION

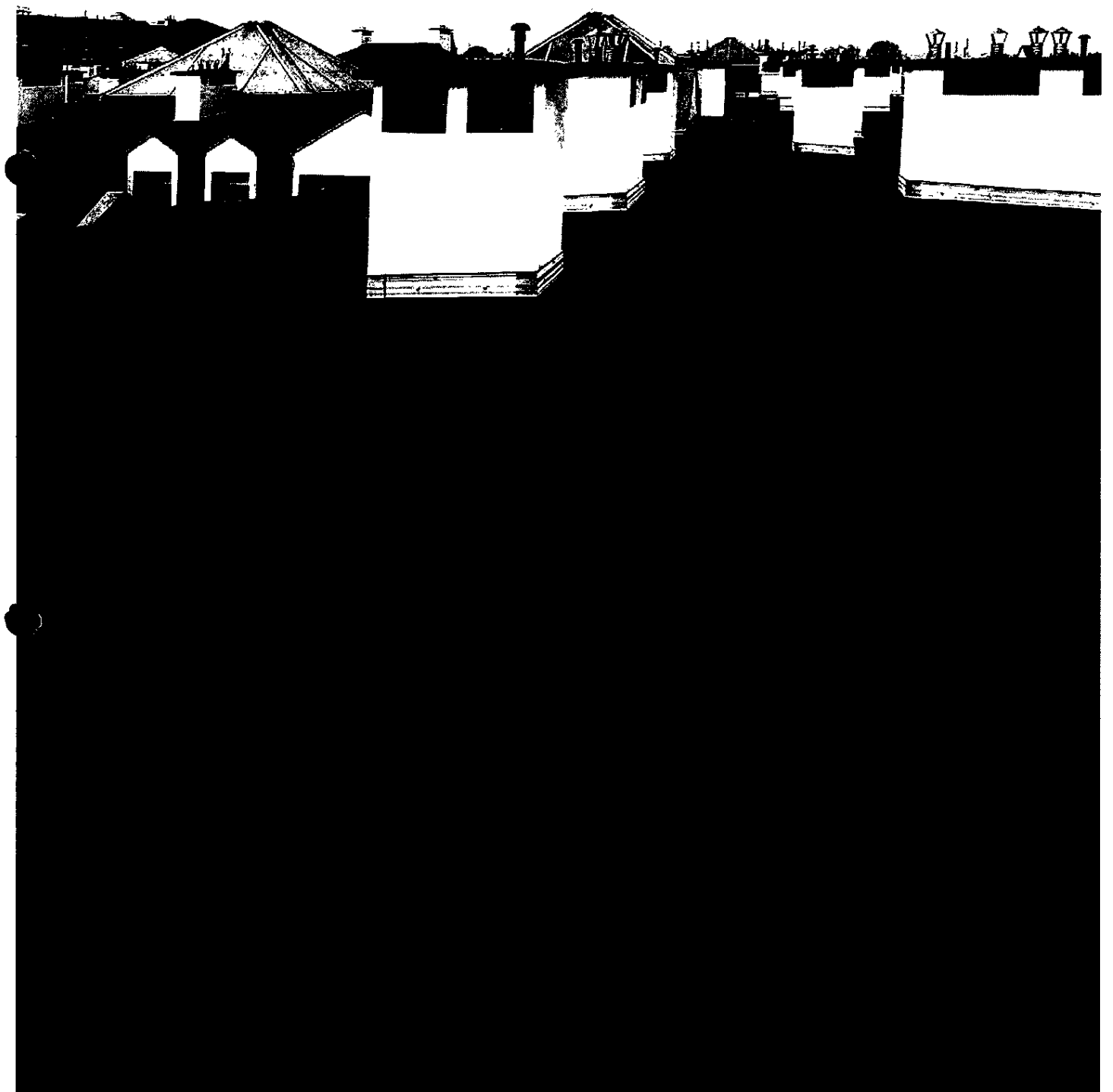
Icopal focuses on strong and enduring relationships with customers, providing training and development opportunities, excellent customer programs and helping customers sell high value systems. Main customer groups are distributors, direct customers, installation services and civil engineering.

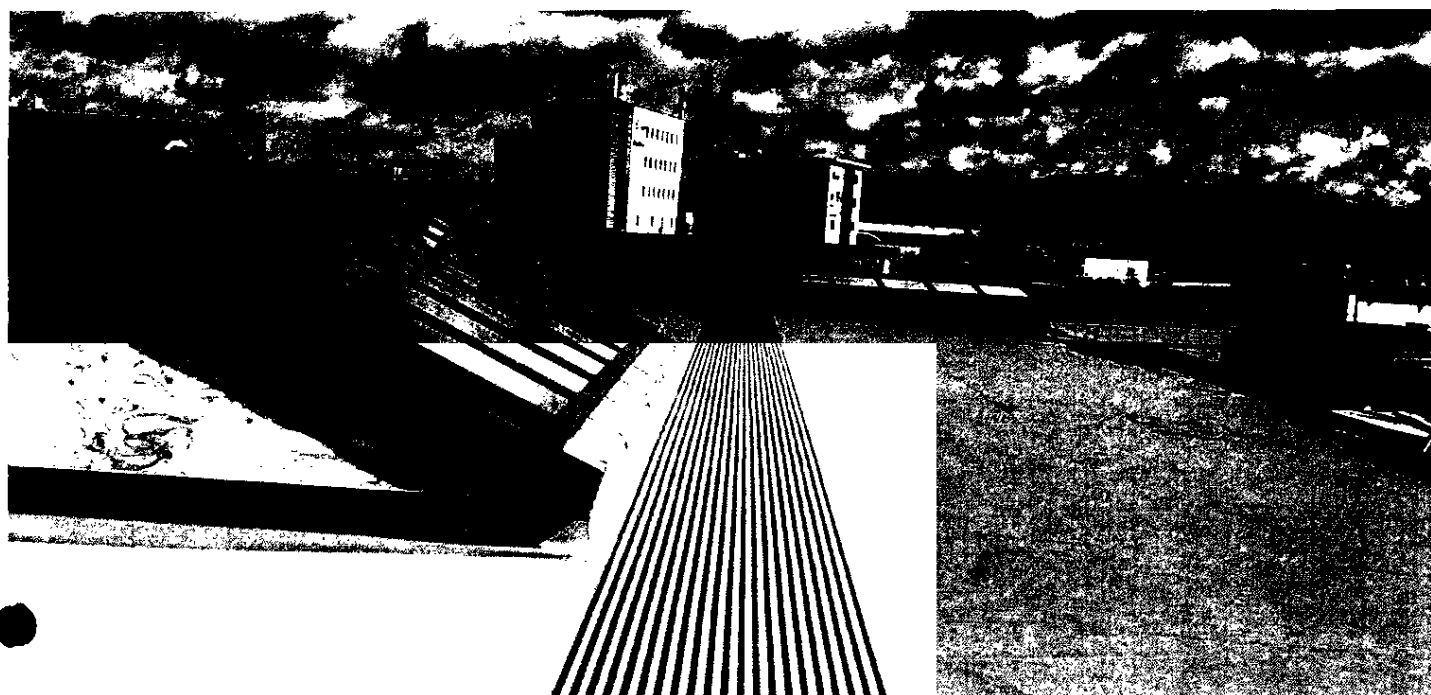
PRODUCTS AND BRANDS

Icopal's core products are bitumen-based membranes, synthetic membranes and liquid applied waterproofing for a broad range of applications within construction and civil engineering. Central brands include Icopal, Siplast, Vedag, Wolfin and Villas. We provide waterproofing and protection products and services for entire

buildings and structures, including roofs, under-roofs, walls, foundations, interior elements such as the sound deadening of floors and exterior elements such as roof gardens. In addition, our products are widely used for the waterproofing of civil engineering projects, including bridges, tunnels and basins.

	KEY BRANDS	CORE PRODUCTS	ACCESSORIES	ENVIRONMENTAL SOLUTIONS
FLAT ROOFING	     	▪ Bitumen membranes ▪ Synthetic membranes ▪ Liquid applied waterproofing	▪ Profiles ▪ Detailing ▪ Primers and adhesives ▪ Fasteners ▪ Skylights and smoke ventilation ▪ Thermal insulation	▪ Noxite ▪ Water management ▪ Solvent free technology ▪ Green roofs ▪ Reflective roofs ▪ Recycled membranes ▪ Photovoltaic ▪ Fixation systems
PITCHED ROOFING	   	▪ Shingles ▪ Steel tiles ▪ Plastic roof panels ▪ Design bitumen membranes	▪ Gutters ▪ Primers ▪ Flashings ▪ Chimney pipes ▪ Roof safety equipment	▪ Noxite ▪ Green roofs ▪ Water management
BUILDING MEMBRANES	   	▪ Underroofs ▪ Wind and vapor barriers ▪ Radon and gas membranes ▪ Foundation panels ▪ Scaffold sheeting and tarpaulins ▪ Sound deadening	▪ Fasteners ▪ Sealants and sleeves ▪ Tapes	▪ Radon membranes ▪ Vapour and wind barriers
CIVIL ENGINEERING	   	▪ Bridge membranes ▪ Tunnel membranes ▪ Geomembranes ▪ Road construction (PMB/emulsions)	▪ Resins ▪ Water inlets ▪ Fasteners	▪ Protection of groundwater
INSTALLATION SERVICE		▪ Roof installation		





REVIEW OF THE BUSINESS

	2016 MEUR
Revenue	670.9
Operating profit before special items	33.1
Net Loss for the year	(6.1)
Equity	387.3
"Quick ratio" (Current assets as % of current liabilities)	2.7 / 270%
Average number of employees	3,358

REVENUE AND GROSS PROFIT

Revenue for the financial year was MEUR 670.9.

Despite fierce competition on the European markets, and uncertainties in Eastern Europe, the Group experienced a satisfactory increase in sales volumes during the 2016 financial year. Furthermore, Installation services in Scandinavia (34% of Region North revenue) are still enjoying a solid order pipeline, with Norway and Sweden showing the most promising development.

However, total sales were lower than budgeted, due to lower than forecasted selling prices.

Raw material prices started to increase again in the second half of 2016, resulting in pressure on the gross profit in that period.

SPECIAL ITEMS

Special items were net MEUR 9.7 for the financial year, and consist of non-recurring expenses related to operational restructuring activities. Furthermore, special items include impairment losses on tangible

assets of MEUR 7.5. Special items also include expenses related to the acquisition of the Icopal Group and legal costs in connection with the ongoing competition law investigation conducted by the Danish Competition and Consumer Authority.

FINANCIAL INCOME AND FINANCIAL EXPENSES

Net result of financial items for the financial year was MEUR 31.7. The result is primarily driven by interest expenses, and foreign currency exchange on long-term loans, dominated in EUR and USD.

NET LOSS FOR THE YEAR

Net loss for the financial year was MEUR 6.1. Net loss was negatively influenced by relocation of production lines from the Netherlands to Germany and Slovakia, impairment losses on tangible assets and expenses related to integration activities derived from the acquisition. These expenses are all recorded as special items.

We have a continuous focus on maintaining an efficient and appropriate cost-base. In the financial year, the cost base is influenced by the establishment of our

headquarters in London, which includes expenses to the newly established management functions that, among other initiatives, support our functional excellence strategy throughout the Group.

EQUITY SHAREHOLDER FUNDS

The group was established through paid in capital on EUR 2.1 and share premium on MEUR 393.9. Mainly retained earnings and currency exchange on foreign subsidiaries further affect shareholders' funds.

"QUICK RATIO" (CURRENT ASSETS AS % OF CURRENT LIABILITIES)

At the balance sheet date, "Quick ratio" of the Group was 270%, and is mainly driven by trade working capital balances. Our main priority is to ensure strong and enduring relationships with customers, which includes being able to ensure timely deliverables. Because of production relocations in 2016, inventory balances are higher than expected.

ACCOUNTING POLICIES

The consolidated financial statements of the Group and separate financial statements of BMI Group Holdings UK Limited have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and adopted by the EU and in accordance with additional United Kingdom disclosure requirements. As this is the first financial year, there have been no changes to accounting policies.

OUTLOOK FOR THE FINANCIAL YEAR 2017

Management expects our core European markets to show modest growth in 2017, supported by above-average growth in synthetic membranes. As a result, the Group expects a positive volume impact on sales. Total revenue is expected to increase in 2017 compared to 2016 depending on volume increase and our ability to realise higher prices, especially as raw material prices increase.

The Group expects gross profit margins to be stable or slightly lower in 2017 due to expected volatility of raw material prices. However, gross profit in absolute values is forecasted to increase through an expected sales volume increase. Combined with an increasing fixed cost base, on a full year basis, management expects Operating profit before special items in 2017 to be higher than the 2016 level of MEUR 33.1.



PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is an integrated part of our business and is firmly anchored in our day-to-day operations. The major challenge is to control and evaluate significant risks in order to achieve our strategy.

The Group Function managers are responsible for best practice execution of risk management, and they regularly perform site visits to optimise risk control and reduce risk as much as possible within their respective areas of responsibility.

towards lower cost outside our product range. This is particularly relevant in the new construction and residential segments. Overcapacities in the market, may furthermore lead to price decreases.

MITIGATION OF RISK

Since we are active primarily in the renovation and non-residential segments of the construction sector and less in the above-mentioned new-build and residential segments, our exposure to risk following the macroeconomic development is lower than for the building industry, in general. We also have a proven ability to adapt to changing conditions, i.e. reduce costs significantly during downturns. As a result, during recent years, Icopal has maintained relatively stable earnings despite the macroeconomic challenges.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is subject to various laws and regulations regarding competition, corruption and business laws in general. Failure to comply with these laws could result in monetary penalties or sanctions against the Group.

RISK MANAGEMENT GOVERNANCE STRUCTURE

The Group Executive Team (GET) meets on a monthly basis at different local sites to review strategic, operational and financial opportunities and risks. The risk management issues discussed at these meetings include a wide variety of subjects, such as health and safety, debt collection, financing and liquidity risk, market/competitive pressure, product guarantee policies, insurance coverage, anti-corruption and the turnaround of unprofitable companies.

RISK ASSESSMENT FOR 2016

The risks discussed below are those that the GET currently considers material and those that may have a material adverse effect on our business and results.

STRATEGIC RISKS

EXPOSURE TO MACROECONOMIC RISK

Unfavourable developments in the construction and building materials industries can lead to a significant decline in the level of construction activity. This may result in reduced demand for building materials or a shift by market participants

MITIGATION OF RISK

The Group has a very strong commitment in order to ensure compliance with rules and regulations. A strong anti-crime climate is in place, which includes a feature on the intranet portal named "Report Wrong-doing". The feature provides information for our employees as to whom to contact in the event of suspicion of corruption, infringement of competition law or other non-compliance.

GROWING THE BUSINESS

Our success partly depends on our ability to introduce new and innovative products and to develop our existing products. A particular focus in innovation is environmentally friendly products and further developing bitumen, synthetic and liquid-based waterproofing technology solutions.

MITIGATION OF RISK

Key personnel in R&D, marketing and sales are responsible for developing the Group's top line with new products. We employ highly skilled and educated people with many years of experience in product development and raw material formulation. Our R&D team works closely with local development, marketing and sales personnel to meet and exceed customer needs and demands. This forms the core of the activities needed to pave the way for growth.

PROTECTION OF REPUTATION AND BRAND VALUE

Our well-known brands Icopal, Siplast, Vedag, Villas and Wolfen and their logos are integral to our multi-brand strategy.

We cannot provide any assurances that competitors will not infringe or challenge our intellectual property rights and any disputes relating to intellectual property rights may result in increased costs and use of managerial time. If our intellectual property and in particular key corporate and product trademarks, that are owned or licensed by us, cannot be protected or if the reputation of these trademarks is

negatively affected for whatever reason, this could have a material adverse effect on the business, results of operations or financial condition.

MITIGATION OF RISK

We invest significant time and resources to meet our defined strategic priorities, and this represents the foundation for the development and protection of our brand value and long-term value creation.

OPERATIONAL RISKS**VOLATILITY IN PRICES OF RAW MATERIALS**

Fluctuations in the cost of our raw materials, most importantly bitumen, can be significant and are mainly driven by developments in oil prices. Volatility in raw material prices have a direct impact on earnings.

MITIGATION OF RISK

We have a continuously high focus on adjusting selling prices in order to maintain contribution margins. In certain circumstances, the sales price of our finished products sold to customers will remain stable for a certain period, where we would be exposed in connection with raw material fluctuations. It is, however, not part of our risk management policy to address this risk through commodity hedging of bitumen.

Furthermore, we constantly focus on improving and optimising our cost base through iTOP (Icopal TOP Performance) activities, which are designed to reduce or control cost of sales, including procurement actions, efficiency actions relating to the operation of our factories and product formula optimisation.

PRODUCTION BREAKDOWNS

If any facility is damaged, destroyed or closed due to fire, our ability to manufacture our products may be significantly affected and we may experience increased costs. Furthermore, production breakdowns will naturally pose an increased risk that we will not be able to

accommodate scheduled deliveries, which may affect customer satisfaction.

MITIGATION OF RISK

Significant time, efforts and resources are spent to maintain and develop the factories and supply chain in order to minimise the risk of business interruptions. Furthermore, we participate in a property and business interruption insurance scheme. The few subsidiaries that do not participate have arranged local insurances.

We work with the internally developed fire protection programme, iPrevent, which sets out guidelines for identifying potential sources of fire and minimum safety requirements for each of our manufacturing facilities and increases know-how and awareness of fire risks.

Our factories are spread widely across Europe, which makes it possible to cover individual production breakdowns within a short reaction time and for extended periods, if necessary. Therefore, customers are rarely affected for an extended period by production breakdowns at our plants.

SECURING AVAILABILITY OF AND COMPETITIVE TERMS FOR KEY RAW MATERIALS

One of our most important raw materials is bitumen. We have an extensive network of bitumen suppliers throughout Europe and the USA. Every supplier must be approved according to a strict set of specifications. The same strategy is also applied to the other three most important categories of raw materials, elastomers (SBS/APP), reinforcement materials and polymers (PVC/PE).

MITIGATION OF RISK

We have been working to increase the number of approved suppliers for each factory in order to strengthen our bargaining power towards suppliers and reduce the risk of supply shortages. Our supply chain network creates the



ability to shift volumes between factories, to countries or regions where shortage risks are less pronounced. This lessens the impact of potential shortages and/or price hikes.

A central procurement team is responsible for our main procurement categories. This team works closely with the local procurement teams and uses a Group procurement information system that provides access to supplier data and valuable commercial benchmarking data. In addition, the team spends significant time ensuring that relationships with major suppliers and the forecasting for needed materials are as dependable and precise as possible, in order to reduce supply risk.

SECURING QUALITY OF RAW MATERIALS, ESPECIALLY BITUMEN

Quality in our products is a key driver in order to maintain and develop our market position. The quality of our products is influenced by the quality of bitumen and other raw materials, and hence subject to a high focus from the procurement team.

MITIGATION OF RISK

We have implemented strict customary quality controls for all material deliveries to our production units. Quality control is performed by local laboratories. When product formulas are changed, the central R&D team provides support for the local units.

Outgoing materials, including packaging, are also thoroughly checked and controlled to ensure high quality. Most Group factories and suppliers are certified according to ISO 9000.

ENVIRONMENTAL, HEALTH AND SAFETY AND REGULATORY RISK

Our factories are subject to various laws and regulations regarding the protection of the environment and the safety of our factory workers. Failure to comply with these laws could result in monetary penalties or sanction that could negatively impact our ability to operate these factories (including the possible shutdown of our operations).

MITIGATION OF RISK

Our Group-wide health and safety iCARF programme is designed to handle several of these risks. Furthermore, we work closely with local authorities to ensure compliance with rules and regulations and, in this way, prevent factories from any sanctions.

Work safety for all employees is a continuous focus for improvement, and performance is measured regularly by reporting LTAs (lost time accidents), as a critical KPI.

FINANCIAL RISKS

Financial risks are managed centrally in Group Treasury and further described in notes 17 and 24 to the consolidated financial statements.

Approved by the directors on 20 June 2017

Michael Anthony Robson

Jason Ivan Pollack

Thomas Joseph Anderson

DIRECTORS REPORT

REGISTERED NO. 09984607

The directors present their report for the year ended 31 December 2016.

DIRECTORS OF THE COMPANY

The current directors are shown in the section Company Information on page 2.

The directors were appointed in connection with establishment of the company, 3rd February 2016. In 2017, Michael Anthony Robson has replaced James Schnepfer as director of the company.

DIVIDENDS

No dividend is recommended for the financial year.

RESEARCH AND DEVELOPMENT

A continuous focus on innovation through research and development is a key factor in being the preferred partner for waterproofing and protection of any building or construction. As such, the Group has a range of ongoing research and development activities. Reference is also made to "Our organisation and global footprint" in the Strategic Report.

FUTURE DEVELOPMENTS

Overall, the roofing market in 2016 revealed a stable to modest growth across Europe, with positive signs for 2017 and going forward.

For Region North, the Danish market is experiencing a modest growth with Finland moving into a real growth scenario and Norway and Sweden showing promising development within installation services. The growth is mainly due to strong demographic factors, fuelling the need for residential buildings. Generally, urbanisation is the strongest trend in the Nordic building industry. Stable growth in all countries in Region North is expected in the coming years including the Baltics, where geopolitical threats do not seem to influence the demand significantly.

For Region West, some building markets experienced modest growth. The growth is mainly driven by the residential new build sector. Furthermore, the renovation market showed positive signs, which, together with increased investments in the sales teams, should ensure activity growth on all markets in 2017. However, Brexit negatively affects the expectations for growth in the UK, and this situation, of course, will be hard to predict.

In Region Central, the building materials market experienced modest growth during the 2nd and 3rd quarter of 2016, while

this growth slowed down from September to December. The main contributor to the growth scenario was the residential construction market, due to a continuously attractive funding market.

In Region East, the market for building materials stabilised during 2016. However, the political risks related to the Russia/Ukraine situation have a negative impact on the building industry and lead to uncertainties in the market. The impact from these uncertainties is hard to predict. However, through continuous sales initiatives and through introduction of new products, we expect a continuous growth in 2017.

The Market for Region Plastic and Metal, which includes synthetic flat-roofing solutions, continued to be a focus area for the Group. The Group maintained a satisfactory market-growth, for the majority of the product groups within Plastic and Metal. The market growth is mainly driven by sales initiatives which, together with a positive macro environment, increase the expectations for 2017 and going forward.

EVENTS SINCE THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group has acquired 100% of the shares in Braas Monier. Braas Monier is the leading roofing manufacturer within tiles and roofing components in Europe, parts of Asia and South Africa. The acquisition is financed through equity investments from the company's parent company, which were funded by the ultimate parent; Standard Industries Inc.

The operations of Braas Monier will be combined with Icopal, to form the largest manufacturer in the European roofing industry, with a diverse product portfolio of both pitched and flat roof technologies. The combined Group will operate under a new name "BMI Group," the BMI name and logo will be used solely at the Group level. Hence, local "relationship brands" relating to country 'relationship' brands (e.g. Braas,

Icopal, Redland, Vedag, etc.) will continue to be used at the local level.

The acquisition has no effect on our financial position at the balance sheet date. Furthermore, the acquisition has not changed the accounting estimates, judgments or assumptions applied by management in the preparation of the consolidated financial statements of the Group.

Apart from the above, we are not aware of subsequent events after 31 December 2016, which would have a material impact on our financial position.

FINANCIAL INSTRUMENTS

Financial instruments are managed centrally in Group Treasury and further described in notes 17 and 24 to the consolidated financial statements.

GOING CONCERN

The Group's business activities, together with the factors likely to influence its future development or its financial position, are described in the Strategic Report on pages 5 and 10.

The Group has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographical areas. Consequently, the directors believe that the group is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis is continuously adopted preparing the annual report and accounts.

POLITICAL DONATIONS

No political donations were made in the financial year.

INDEMNITY PROVISIONS

No indemnity provision in favour of any directors was in force, besides what is permissible by company law.

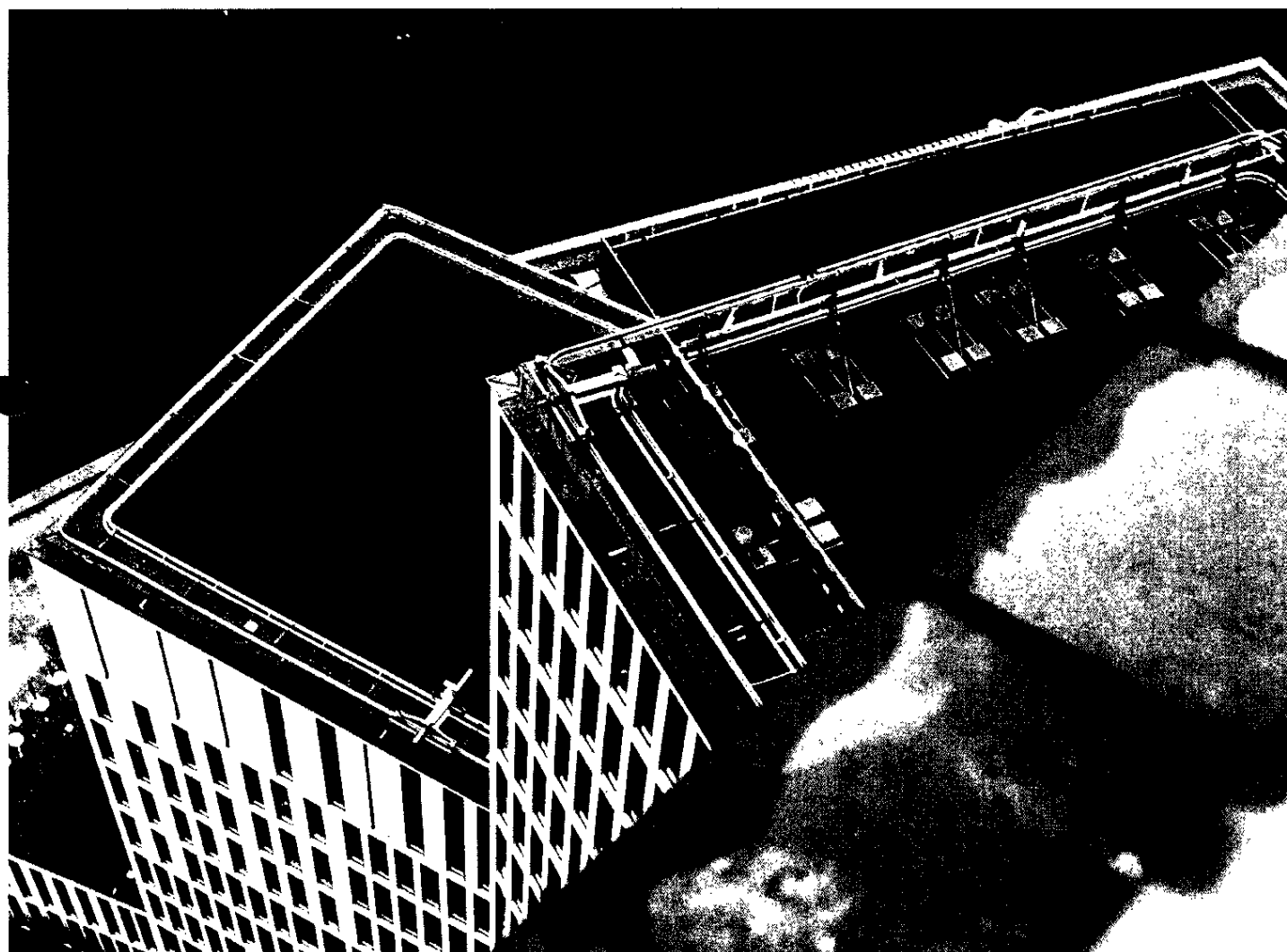
DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.

Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information.

RE-APPOINTMENT OF AUDITORS

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of EY as auditor of the Company.



DIRECTORS RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period.

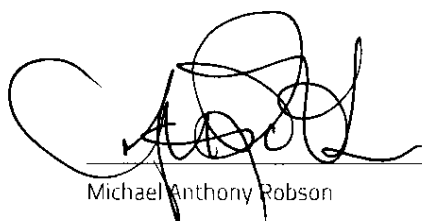
In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards including IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group

and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

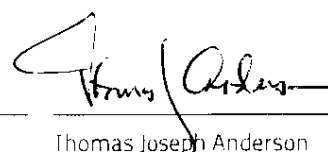
Approved by the directors on 20 June 2017



Michael Anthony Robson



Jason Ivan Pollack



Thomas Joseph Anderson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BMI GROUP HOLDINGS UK LIMITED

We have audited the financial statements of BMI Group Holdings UK Limited (the 'Company') for the period ended 31 December 2016 which comprise the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on

Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance

with IFRSs as adopted by the European Union; and

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- based on the work undertaken in the course of the audit
 - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
 - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial

Statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Gordon Cullen (Senior statutory auditor for and on behalf of Ernst & Young LLP)
Statutory Auditor
London

Date: 22-06-2017

● CONSOLIDATED ● FINANCIAL STATEMENTS, BMI GROUP HOLDINGS UK ● LIMITED

**CONSOLIDATED FINANCIAL STATEMENTS
BMI GROUP HOLDINGS UK LIMITED**

Income statement
Statement of comprehensive income
Balance sheet
Statement of cash flows
Statement of changes in equity

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CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
INCOME STATEMENT
3 FEBRUARY - 31 DECEMBER

EUR THOUSAND	NOTE	2016
Revenue	3	670,947
Cost of sales	4,5	498,350
GROSS PROFIT		172,597
Sales and distribution expenses	4,5	99,150
Administrative expenses	4,5,6	36,143
Research and development expenses	4,5	8,642
Other operating income	7	5,637
Other operating expenses	7	1,240
OPERATING PROFIT BEFORE SPECIAL ITEMS		33,059
Special items, income	7	545
Special items, expenses	7	10,280
OPERATING PROFIT		23,324
Financial income	8	8,224
Financial expenses	9	39,973
LOSS BEFORE TAX		(8,425)
Tax on profit	10	(2,330)
NET LOSS FOR THE YEAR		(6,095)
Attributable to:		
Shareholder of BMI Group Holdings UK Limited		(6,095)

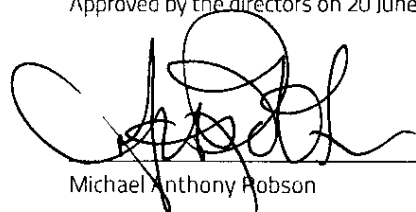
CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
3 FEBRUARY - 31 DECEMBER

EUR THOUSAND	NOTE	2016
NET LOSS FOR THE YEAR		(6,095)
OTHER COMPREHENSIVE INCOME		
Foreign exchange adjustments		164
Currency translation of structural loans	24	(765)
Tax related to these items	10, 21	152
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT		(449)
Actuarial gains/losses from defined benefit obligations	20	(685)
Tax related to these items	10, 21	113
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT		(572)
OTHER COMPREHENSIVE LOSS NET OF TAX		(1,021)
TOTAL COMPREHENSIVE LOSS		(7,116)
Attributable to:		
Shareholder of BMI Group Holdings UK Limited		(7,116)

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
BALANCE SHEET 31 DECEMBER

ASSETS		
EUR THOUSAND	NOTE	2016
NON-CURRENT ASSETS		
Intangible assets	13, 14	373,229
Property, plant and equipment	14, 15	249,521
Other investments and securities		778
Investments in associates		2,082
Deferred tax assets	21	16,268
TOTAL NON-CURRENT ASSETS		641,878
CURRENT ASSETS		
Inventories	16	106,716
Trade receivables	17	97,442
Work in progress	18	3,602
Tax receivable		9,175
Receivables from related parties	29	68,124
Other receivables		10,571
Prepayments		3,330
Cash and cash equivalents		167,579
Assets held for sale		2,704
TOTAL CURRENT ASSETS		469,243
TOTAL ASSETS		1,111,121

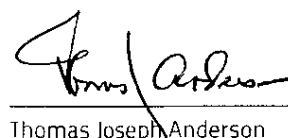
Approved by the directors on 20 June 2017



Michael Anthony Robson



Jason Ivan Pollack

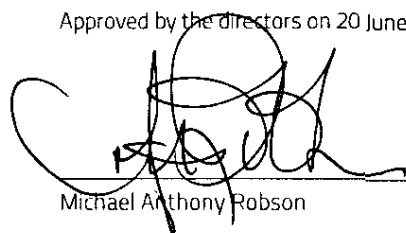


Thomas Joseph Anderson

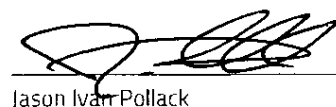
CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
BALANCE SHEET 31 DECEMBER

EQUITY AND LIABILITIES		
EUR THOUSAND	NOTE	2016
EQUITY		
Share capital	19	0
Share premium		393,878
Reserves		164
Retained earnings		(6,748)
TOTAL EQUITY		387,294
NON-CURRENT LIABILITIES		
Employee benefit obligations	20	45,091
Deferred tax liabilities	21	55,096
Provisions	22	6,212
Borrowings	24	423,937
Contingent consideration	23, 26	19,477
TOTAL NON-CURRENT LIABILITIES		549,813
CURRENT LIABILITIES		
Provisions	22	12,613
Borrowings	24	1,315
Trade payables		58,724
Payables to related parties		1,915
Work in progress	18	1,668
Corporation tax		21,065
Other liabilities	25	76,714
TOTAL CURRENT LIABILITIES		174,014
TOTAL LIABILITIES		723,827
TOTAL EQUITY AND LIABILITIES		1,111,121

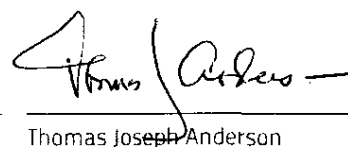
Approved by the directors on 20 June 2017



Michael Anthony Robson



Jason Ivan Pollack



Thomas Joseph Anderson

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
STATEMENT OF CASH FLOWS
3 FEBRUARY - 31 DECEMBER

EUR THOUSAND	NOTE	2016
NET LOSS FOR THE YEAR		(6,095)
Adjustments to cash flow	11	64,783
Change in working capital	12	26,290
Taxes paid		(2,740)
Interest paid		(3,405)
Interest received		1,880
CASH FLOW FROM OPERATING ACTIVITIES		80,713
Acquisition of subsidiaries, net of cash acquired	26	(144,729)
Investments in intangible assets and property, plant and equipment	13,15	(23,281)
Change in unpaid investments in intangible assets and property, plant and equipment		(3,260)
Sale of intangible assets and property, plant and equipment		294
Repayment of non-current receivables		15,313
Divestment of activities	27	189,724
CASH FLOW FROM INVESTING ACTIVITIES		34,061
FREE CASH FLOW		114,774
Repayment of current and non-current borrowings		(34,111)
Proceeds from loans		649,352
Repayment of loans and finance leases		(956,210)
Proceeds from issue of shares		393,878
CASH FLOW FROM FINANCING ACTIVITIES		52,909
NET CASH FLOW FOR THE YEAR		167,683
Cash and cash equivalents at 3 February		-
Foreign exchange adjustment		(104)
Net cash flow for the year		167,579
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		167,683

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
STATEMENT OF CASH FLOWS
3 FEBRUARY - 31 DECEMBER

ACCOUNTING POLICIES

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities are calculated as the profit/loss for the year after tax adjusted for non-cash operating items, changes in working capital, payments concerning financial income and expenses and corporation tax.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise the purchase and sale of enterprises, the purchase and sale of intangible assets, property, plant and equipment and other non-current assets, dividends paid by associates as well as the purchase and sale of securities. Cash flows related to acquired enterprises are recognised from the date of acquisition, and cash flows from sold enterprises are recognised up to the date of sale.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities comprise changes in the size and composition of the Group's share capital, related expenses, external financing and the repayment of interest-bearing debt as well as the payment of dividends to shareholders.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash as well as securities with less than three months to maturity at the time of acquisition, which can readily be converted into cash and cash equivalents and which only carry an insignificant risk of changes in value.

TRANSLATION OF CASH FLOWS IN FOREIGN CURRENCY

Translation of transactions in foreign currency are translated at the exchange rate at the transaction date (using average exchange rates).

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
STATEMENT OF CHANGES IN EQUITY

EUR THOUSAND

	Shareholder of BMI Group Holdings UK Limited					
	SHARE CAPITAL	SHARE PREMIUM	TRANSLATION RESERVE	TOTAL RESERVES	RETAINED EARNINGS	TOTAL
Equity at 3 February 2016	0	-	-	-	-	0
Net loss for the year	-	-	-	-	(6,095)	(6,095)
OTHER COMPREHENSIVE INCOME						
Foreign exchange adjustments	-	-	164	164	-	164
Currency translation of structural loans	-	-	-	-	(765)	(765)
Actuarial gains/losses from defined benefit obligation	-	-	-	-	(685)	(685)
Tax related to these items	-	-	-	-	265	265
OTHER COMPREHENSIVE INCOME/LOSS	-	-	164	164	(1,185)	(1,021)
TOTAL COMPREHENSIVE INCOME/LOSS	-	-	164	164	(7,280)	(7,116)
TRANSACTIONS WITH OWNERS						
Issue of shares	0	393,878	-	-	0	393,878
Capital contribution	-	-	-	-	532	532
TOTAL TRANSACTIONS WITH OWNERS	0	393,878	-	-	532	394,410
EQUITY AT 31 DECEMBER 2016	0	393,878	164	164	(6,748)	387,294

Accounting Policies

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

The consolidated financial statements for the year ended 31 December 2016 comprise BMI Group Holdings UK Limited and its subsidiaries (collectively referred to as "the Group"). BMI Group Holdings UK Limited (the Company or the parent) is a limited company incorporated and domiciled in the United Kingdom.

The company was originally incorporated on 3 February 2016 as Cortes Holdings UK Limited and has changed its name to BMI Group Holdings UK Limited with effect from 1 June 2017.

The consolidated financial statements has been prepared for the first time and covers the period, 3 February to 31 December 2016 from the formation of the Group. There has been activity in the Group from April 2016. The Group has implemented all IFRS standards, which are effective for financial statements beginning 1 January 2016.

The Annual Report of the Group was considered and approved by the directors on 21 June 2017 and presented for adoption at the subsequent Annual General Meeting of the Group on 21 June 2017. The ultimate controlling company, Standard Industries Inc., does not have the power to amend the financial statements after their adoption at the Annual General Meeting.

BASIS OF PREPARATION

The consolidated financial statements of the Group, and separate financial statements of BMI Group Holdings UK Limited, have been prepared in accordance with IFRS as adopted by the EU and in accordance with additional United Kingdom disclosure requirements.

The functional currency of the Parent Company is pounds sterling (GBP); however, due to the Group's international relations, the consolidated financial statements are pre-

sented in euros (EUR), rounded to the nearest EUR 1,000, unless otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives measured at fair value, and non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount before reclassification and fair value less costs to sell.

DEFINING MATERIALITY

Significant items are presented individually in the consolidated financial statements as required by IAS 1. Other items, which may not be significant but have been considered relevant to stakeholders and the understanding of the business, are also presented in the consolidated financial statements.

Note disclosures are presented for all significant items. Where the separate presentation of an item is made solely due to IAS 1 presentation requirements, no further disclosures are provided for that item.

PRINCIPLES OF CONSOLIDATION AND EQUITY-ACCOUNTING

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Subsidiaries are fully consolidated as from the date when control is transferred to the Group. They are deconsolidated as from the date when control ceases.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If such evidence exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

When necessary, adjustments are made to the financial statements of subsidiaries or associates to bring their accounting policies into line with the Group's accounting policies.

Intercompany transactions, balances and unrealised gains on transactions between consolidated enterprises are eliminated.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

TRANSLATION OF TRANSACTIONS AND BALANCES

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. On initial recognition, transactions in foreign currencies are translated into the respective functional currency of the individual group entity using the exchange rate at the transaction date. Foreign exchange adjustments arising from settlement of such transactions and from the translation of receivables, payables and other monetary items in foreign currencies at year-end exchange rates are generally recognised in the income statement under financial income or financial expenses.

TRANSLATION OF ENTITIES

The consolidated financial statement of entities with a functional currency other than the presentation currency are translated into the presentation currency; balance

sheet items are translated at the exchange rate at the end of the reporting period, and income statement, statement of comprehensive income are translated at the exchange rate at the transaction date (using average exchange rates). All resulting exchange differences are recognised in other comprehensive income.

Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rates at the end of the reporting period and on translation of the income statement from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised in other comprehensive income and attributed to a separate translation reserve in equity.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in other comprehensive income attributed to a separate translation reserve in equity.

For other significant accounting policies reference is made to the respective notes.

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make various accounting estimates, judgments and assumptions.

The estimates, judgments and assumptions are based on historical experience and other factors which management assesses to be reliable, but which by their nature are associated with uncertainty and unpredictability. These assumptions may prove to be incomplete or incorrect, and unexpected events or circumstances may arise. Furthermore, the Group is exposed to a number of risks and uncertainties as a result of its operating, investing and financing activities. These risks may lead to actual results differing from estimates, both positively and negatively.

Assumptions about the future and estimation uncertainty on the reporting date are described in the notes if there is a significant risk of changes that could result in material adjustments to the carrying amount of assets or liabilities within the next financial year. In this connection management believes the preparation of the consolidated financial statements involves significant accounting estimates in the following areas, which information is included in the notes:

- Corporation tax – note 10
- Intangible assets – note 13
- Impairment test – note 14
- Trade receivables and credit risk – note 17
- Deferred tax – note 21
- Provisions – note 22
- Business combinations – note 26

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE INCOME STATEMENT

EUR THOUSAND	2016
NOTE 3 - REVENUE	
SPECIFICATION OF REVENUE	
Sale of goods	533,380
Sale of services	137,567
TOTAL	670,947

ACCOUNTING POLICIES

REVENUE RECOGNITION

Revenue from the sale of resale goods and finished goods is recognised in the income statement when all significant risk and rewards have been transferred to the buyer and when the income can be reliably measured and is expected to be received. Revenue is measured excluding VAT and discounts granted. Contract work in progress is recognised in revenue (as sale of services with 74,1 mEUR) based on the percentage of completion, which means that revenue equals the selling price of the work completed for the year (percentage of completion method).

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE INCOME STATEMENT

EUR THOUSAND	2016	
NOTE 4 - DEPRECIATION AND AMORTISATION		Hereof amortisation
INCLUDED IN THE INCOME STATEMENT		
Cost of sales	21,422	424
Sales and distribution expenses	3,667	2,863
Administrative expenses	3,851	2,662
Research & development expenses	3,320	3,111
TOTAL	32,260	9,060

ACCOUNTING POLICIES

COST OF SALES

Cost of sales comprises direct and indirect expenses incurred to achieve revenue for the year, including expenses for material, consumables, wages and salaries, rent and leases, depreciation and amortisation of production plant.

SALES AND DISTRIBUTION EXPENSES

Expenses incurred in conducting sales campaigns etc. during the year are recognised as sales and distribution expenses. Also, expenses relating to sales staff, distribution, advertising, exhibitions, depreciation and amortisation are recognised as sales and distribution expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses comprise expenses for management and administration, including expenses for administrative staff, office premises and office expenses as well as depreciation and amortisation.

RESEARCH AND DEVELOPMENT EXPENSES

Research expenses are expensed as incurred. Development costs pertaining to the ongoing optimisation of production processes for existing products or to the development of new products are expensed as incurred, where lack of approval by the authorities, approval by customers, and other uncertainties do not fulfill the criteria for recognition in the balance sheet. Further expenses include depreciation and amortisation.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED **NOTES TO THE INCOME STATEMENT**

EUR THOUSAND	2016
NOTE 5 - STAFF COSTS	
Salaries and other remuneration	119,221
Pension expenses – defined contribution plans	6,234
Pension expenses – defined benefit plans	540
Social security etc.	26,809
TOTAL	152,804
Average number of employees	
Production	2,138
Sales and distribution	842
Administration	302
Research & development	76
AVERAGE NUMBER OF EMPLOYEES	3,358

DIRECTOR'S REMUNERATION

The Board of Director's consists of three persons and include the CEO and the COO of the company (Executive Directors). Total salaries and other remuneration totaled EUR 2,592 thousand for the year end December 31, 2016. There was no pension expense, pension accrual and/or any other long term incentive plan costs attributable to the Executive Directors of the Company in 2016.

The highest paid director received EUR 1,639 thousand in total remuneration from the Company during 2016.

The remuneration for the other members of the Group Executive Team (GET) consists of a combination of a fixed salary and a cash bonus. The bonus is capped at 50% of their fixed salary.

EUR THOUSAND	2016
NOTE 6 - FEES TO AUDITORS	
EY	
Statutory audit	759
Tax compliance services	7
Other services	206
Other auditors	
Statutory audit	26
Audit-related services	61
TOTAL	1,059

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE INCOME STATEMENT

NOTE 7 - SPECIAL ITEMS & OTHER OPERATING ITEMS

The Group has identified a number of special items which are material due to significance of their nature and amount. Special items consist of non-recurring income and expenses and, based on management's judgment, they are presented separately from the Group's ordinary operations to provide a better understanding of the financial performance of the Group.

EUR THOUSAND	2016
SPECIAL ITEMS INCOME	
Net gain from divestments of property	545
TOTAL SPECIAL ITEMS INCOME	545
SPECIAL ITEMS EXPENSES	
Operational restructuring activities	2,177
Transaction costs	189
Impairment of tangible assets	7,500
Other non-recurring items	414
TOTAL SPECIAL ITEMS EXPENSES	10,280

For information related to the impairment of tangible assets please refer to note 14 Impairment test.

OPERATIONAL RESTRUCTURING ACTIVITIES

Operational restructuring activities in 2016 are mainly related to the announced closure of the Synthetics factory in the Netherlands including redundancy payments.

TRANSACTION COSTS

The Group has incurred transaction costs of MEUR 0.2 related to acquisition of 100% of the shares of Icopal Holding ApS.

IMPAIRMENT OF TANGIBLE ASSETS

Impairment of tangible assets reflects impairment of property, plant and equipment in Europe East and Plastic and Metal. Reference is made to note 14 Impairment test.

OTHER NON-RECURRING ITEMS

Other non-recurring items expenses relate to integration activities derived from the acquisition of Icopal Group and lawyer costs in connection with the ongoing competition law investigation conducted by the Danish Competition and Consumer Authority. Please refer to note 28 Commitments and contingent liabilities.

OTHER OPERATING ITEMS	
Other operating income	5,637
Other operating expenses	1,240
TOTAL	4,397

Other operating income primarily relates to capitalisation of development costs and costs related to bringing tangible assets into their current conditions, incurred in the year. Capitalisation of internal expenses are measured at actual costs prices. Reference is made to note 13 and 15 regarding group internal expenses, capitalised as intangible- and tangible assets.

Furthermore, other operating income and expenses comprise net gains and losses on disposals of equipment.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE INCOME STATEMENT

NOTE 7 - SPECIAL ITEMS & OTHER OPERATING ITEMS (CONTINUED)

ACCOUNTING POLICIES

SPECIAL ITEMS include significant income and costs of a special nature in terms of the Group's revenue-generating activities, such as the cost of extensive restructurings of processes and fundamental structural adjustments, as well as gains or losses arising from disposals in this connection. Special item also includes significant non-recurring items such as impairments.

OTHER OPERATING INCOME AND EXPENSES comprise items secondary to the Group's principal activities such as gains and losses on the disposal of intangible assets and equipment, income and expenses related to additional non-core services provided to customers and insurance compensation received. Furthermore, operating income comprises capitalisation of development costs incurred in the year, measured at actual costs prices.

EUR THOUSAND	2016
NOTE 8 - FINANCIAL INCOME	
Interest income on cash and cash equivalents	3,022
Foreign exchange adjustments	4,390
Other	812
TOTAL	8,224

Interest income from financial assets measured at amortised cost comprises MEUR 3.0.

NOTE 9 - FINANCIAL EXPENSES	
Interest expenses on financial liabilities measured at amortised cost	15,039
Net interest from pensions	673
Foreign exchange adjustments	23,960
Miscellaneous financial expenses	301
TOTAL	39,973

Interest expenses from financial liabilities measured at amortised cost consist of paid and accrued interest.

ACCOUNTING POLICIES

Financial income and expenses comprise interest income and expense, gains and losses on securities and impairment of securities as well as accounts and transactions in foreign currencies and the amortisation of financial assets and liabilities.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE INCOME STATEMENT

EUR THOUSAND	2016	
NOTE 10 - CORPORATION TAX		
Current tax on profit before tax		3,887
Change in deferred tax		(6,217)
TAX ON LOSS BEFORE TAX		(2,330)
CALCULATION OF EFFECTIVE TAX RATE:		
	2016	2016
Loss before tax		(8,425)
Corporation tax in United Kingdom	20.0%	(1,685)
Difference in foreign tax rates	5.1%	(428)
Non-deductible expenses / Tax free income	-81.1%	6,920
Change in valuation reserve	56.9%	(4,797)
One-off impact of changes in the tax rate	6.6%	(554)
Other	21.2%	(1,786)
EFFECTIVE TAX	27.7%	(2,330)
Tax on provisions for pensions		138
Tax on fair value adjustments to financial instruments		10
Tax on currency translations		240
INCOME TAX RELATING TO OTHER COMPREHENSIVE INCOME		388

The "difference in foreign tax rates" is predominantly related to France and Germany, where the effective corporate tax rates are 33% and between 28% and 30%, respectively.

The development of "non-deductible expenses" resulted from European interest limitation rules.

The line "One-off impact of changes in the tax rate" is influenced by the announced changes in French corporate tax rate in the coming years, including related adjustments to the tax rate used for the calculation of deferred tax in the respective legal entities and on Group level.

The line impact from "Other" relates to adjustment for uncertain tax-positions.

ACCOUNTING POLICIES

Tax on profit comprises current tax and changes in deferred tax for the reporting period. Current and deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised directly in other comprehensive income or equity, respectively.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED **NOTES TO STATEMENT OF CASH FLOWS**

NOTE 10 - CORPORATION TAX (CONTINUED)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

UNCERTAIN TAX POSITIONS

The Group is subject to income taxes around Europe. Significant judgment and estimates are required in determining the European accrual for income taxes, and provision for uncertain tax positions. In the course of conducting business in various jurisdictions, tax and transfer pricing disputes with tax authorities may occur, and management judgment is applied to assess the possible outcome of such disputes. The most probable outcome is used as the measurement method, and management believes that the provision made for uncertain tax positions not yet settled with local tax authorities is adequate and fairly stated in the consolidated financial statements. However, the actual obligation may deviate and is dependent on the result of litigations and settlements with the relevant tax authorities.

EUR THOUSAND

2016

NOTE 11 - ADJUSTMENTS OF CASH FLOW

Depreciation and amortisation	32,260
Impairment losses	7,500
Income tax	(2,330)
Net financial income	31,749
Profit/loss on foreign exchange	(3,150)
Change in provisions	(924)
Net gain from sale of assets or activities	(322)
TOTAL	64,783

NOTE 12 - CHANGE IN WORKING CAPITAL

Change in inventories	10,379
Change in receivables	7,853
Change in payables	8,058
TOTAL	26,290

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND					2016
NOTE 13 - INTANGIBLE ASSETS	GOODWILL	TRADEMARKS	CUSTOMER RELATIONSHIPS	OTHER	TOTAL
Cost at 3 February	-	-	-	-	-
Acquisition of companies	424,504	72,612	173,765	33,705	704,586
Additions	-	153	-	1,201	1,354
Disposal of Region North America	(185,444)	(1,167)	(138,940)	-	(325,551)
Transferred to/from PPE and/or intangible assets category	-	-	-	2,231	2,231
Foreign exchange adjustment	(537)	110	(101)	185	(343)
COST AT 31 DECEMBER	238,523	71,708	34,724	37,322	382,277
Amortisation/impairment losses at 3 February	-	-	-	-	-
Amortisation for the period	-	1,327	2,602	5,131	9,060
Foreign exchange adjustment	-	-	2	(14)	(12)
AMORTISATION/IMPAIRMENT AT 31 DECEMBER	-	1,327	2,604	5,117	9,048
CARRYING AMOUNT AT 31 DECEMBER	238,523	70,381	32,120	32,205	373,229
Hereof Group internal capitalised expenses	-	-	-	2,083	2,083
Hereof net book value of development projects	-	-	-	3,750	3,750

The carrying amount of intangible assets pledged as security for liabilities are disclosed in note 28 Commitments and contingent liabilities.

Additions from the acquisition of companies in 2016 are related to the acquisition of Icopal Holding ApS and Quest Construction Products LLC.

There were no impairment losses on intangible assets in 2016.

Trademarks include the Icopal trademark which is considered to have an indefinite, useful life. At 31 December 2016 the carrying amount of the Icopal trademark is MEUR 54. For further information on the reason for considering the Icopal trademark having indefinite, useful life, see critical accounting estimates and judgments.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 13 - INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICIES

Goodwill is initially measured at cost and subsequently at cost less accumulated impairment losses. Goodwill and other intangible assets with an indefinite, useful life are not amortised.

Intangible assets are initially measured at cost and subsequently at cost less accumulated amortisation and impairment losses.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the Group are recognised as intangible assets when the following criteria are met; it is technically feasible to complete the project so that it will be available for use; management intends to complete the projects and use or sell it; there is an ability to use or sell the projects; it can be demonstrated how the projects will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the projects are available, and the expenditure attributable to the projects during its development can be reliably measured.

Research and development expenditures that do not meet the criteria above are recognised as an expense as incurred.

USEFUL LIFE AND AMORTISATION

Useful life is determined at the acquisition date and reassessed annually. The Group amortises intangible assets with a limited useful life using the straight-line method over the expected useful life of the asset:

Customer relationships	10-22 years
Technology and licences	The contractual term (5 -10 years)
Development projects	3 to 5 years
Other intangible assets	3 to 5 years

Customer relationships acquired in a business combination are amortised up to 22 years depending on historical relationships with customers.

The Icopal trademark is not amortised, but other sub-trademarks are amortised over 10 years.

IMPAIRMENT

Please refer to note 14 for a description of impairment testing of intangible assets.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The carrying amount of the Icopal brand is related to the Icopal business, which is considered to have an indefinite, useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. The main factors in determining that the Icopal brand has an indefinite, useful life are: 1) the Icopal brand has existed for more than a century and 2) the Group's strategy is based on the brand.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 14 – IMPAIRMENT TEST

BASIS FOR IMPAIRMENT TESTING OF FIXED ASSETS, GOODWILL AND TRADEMARKS WITH AN INDEFINITE USEFUL LIFE

Impairment testing of goodwill and trademarks with an indefinite, useful life is performed annually. Impairment testing of fixed assets is performed if there are any indications of impairment.

The impairment tests are performed on a regional basis, which is considered the lowest measurable cash-generating unit ("CGU") for these tests. The CGUs are based on the management structure. The management of the Group is centralised and directed by regional management teams, which are responsible for performance, investments and growth initiatives in their respective regions.

In performing the impairment tests, management makes an assessment of whether the CGU will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

GOODWILL & TRADEMARKS

The Icopal Group was acquired by BMI Group Holdings UK Limited 4th April 2016. In connection with the subsequent purchase price allocation, goodwill was allocated to Region North, West and Central. The value of trademarks was capitalised, and for the purpose of impairment test, allocated to the respective region. As the entire Group is benefiting from the Icopal trademark, this trademark has been tested for impairment as a corporate brand, and hence not allocated to specific regions. The Icopal trademark is considered to have an indefinite, useful life and has a carrying amount of MEUR 54 at 31 December 2016.

Impairment testing of goodwill and trademarks in each CGU is based on the discounted value of expected future free cash flows (value-in-use) as indicated in budgets for 2017, and further projections until 2026 when the growth rate approaches the level of inflation. The budget for 2017 was approved by the Directors in December 2016. Key parameters include revenue growth, earnings before interest, taxes and amortisations (EBITA), future capital expenditure and growth expectations. The regional WACC reflects an earnings-based weighted average of the strategic business units included in the region.

The impairment tests of CGUs are based on a comparison of the recoverable amount, which corresponds to the discounted value of the expected future free cash flows, with the carrying amount of the individual CGU. The carrying amount comprises goodwill, trademarks and other net assets, but excludes net-interest bearing debt.

SIGNIFICANT ASSUMPTIONS

The recoverable amount of each CGU is determined on the basis of its value in use. The key assumptions are revenue, EBITA margins, terminal growth, and discount rate.

Value-in-use cash flow projections are based on financial budgets approved by management for the following financial year. Revenue and EBITA is based on past performance and expectations for the future market development. The assumptions applied in the short-to-medium-term are based on management's expectations regarding growth and the development EBITA margin. The terminal growth rates do not exceed the expected long-term average growth rate, including inflation, for the business in which the Region operates.

Growth rates are determined for each individual CGU based on current expectations for future years. This assessment is supported by internal market knowledge, but also by external macroeconomic sources. The forecasts used for these analyses were approved by the Directors.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 14 - IMPAIRMENT TEST (CONTINUED)

The Group uses an impairment model with a ten-year time horizon, which has been applied in order to reflect the long-term perspectives for the Group. The projections are based on approved budgets and following estimates and judgments for the future growth and activity for each individual CGU. Growth in terminal period converges with the long-term growth rates for the CGU (terminal growth).

The WACC was determined in line with generally recognised principles and is based on the target capital structure with an equity/debt ratio of 4:1, which is considered the optimal capital structure for the Group and therefore the target capital structure. The WACC comprises the risk-free interest rate in the denominated currency, the premium on borrowings and equity for the targeted capital structure, a Region premium and a general market size premium. Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are reflected in the discount rate.

REGIONAL SPECIFIC ASSUMPTIONS

EUROPE NORTH

Nominal annual growth rate in revenue of 8.7-3.4% is estimated for the period 2017-2021, which in the following periods will decrease to the long-term growth rate for the region of 2%.

EBITA margin and net working capital compared with activity are expected to be at the same level as for 2016. Furthermore, annual investments are estimated according to investment budgets, reflecting the depreciation level for non-current assets.

An after-tax discount rate including regional specific budget risk (WACC) of 10.3% was applied, which reflects a pre-tax discount rate of 12.9%.

EUROPE WEST

Nominal annual growth rate in revenue of 4.3-2.5% is estimated for the period 2017-2021, which in the following periods will decrease to the long-term growth rate for the region of 2%.

EBITA margin and net working capital compared with activity are expected to improve slightly in the budget period. Furthermore, annual investments are estimated according to investment budgets, reflecting the depreciation level for non-current assets.

An after-tax discount rate including regional specific budget risk (WACC) of 8.8% was applied, which reflects a pre-tax discount rate of 10.5%.

EUROPE CENTRAL

Nominal annual growth rate in revenue of 11.4-3% is estimated for the period 2017-2021, which in the following periods will decrease to the long-term growth rate for the region of 2%.

EBITA margin and net working capital compared with activity are expected to improve slightly in the budget period. Furthermore, annual investments are estimated according to investment budgets, reflecting the depreciation level for non-current assets.

An after-tax discount rate including regional specific budget risk (WACC) of 8.8% was applied, which reflects a pre-tax discount rate of 11.3%.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 14 - IMPAIRMENT TEST (CONTINUED)

EUROPE EAST

No goodwill or trademarks with indefinite, useful life has been allocated to Region East. Due to uncertainties in the political environment in the Region, an impairment test has been carried out.

Nominal annual growth rate in revenue of 10.6-3.5% is estimated for the period 2017-2021, which from 2021 reflects the long-term growth rate for the region of 3.5%.

EBITA margin and net working capital compared with activity are expected to improve slightly in the budget period. Furthermore, annual investments are estimated according to investment budgets, reflecting the depreciation level for non-current assets.

An after-tax discount rate including regional specific budget risk (WACC) of 11.7% was applied, which reflects a pre-tax discount rate of 13.8%.

The financial results for the region highly depend on the political environment in Eastern Europe. Hence, growth rates, long-term growth and the discount rate are subject to a higher level of uncertainty than other regions.

PLASTIC AND METAL

No goodwill or trademarks with indefinite, useful life has been allocated to Region Plastic and Metal. Due to pressure on sales in the Region, an impairment test has been carried out.

Nominal annual growth rate in revenue of 6.0-2.3% is estimated for the period 2017-2021, which in the following periods will decrease to the long-term growth rate for the region of 2%.

EBITA margin and net working capital compared with activity are expected to improve slightly in the budget period. Furthermore, annual investments are estimated according to investment budgets, reflecting the depreciation level for non-current assets.

An after-tax discount rate including regional specific budget risk (WACC) of 9.2% was applied, which reflects a pre-tax discount rate of 11.5%.

IMPAIRMENT TEST RESULT 2016

GOODWILL AND OTHER INTANGIBLE ASSETS

Based on the impairment tests, the Group did not have any impairments related to goodwill or other intangible assets as of 31 December 2016.

GOODWILL ALLOCATION TO REGIONS EUR THOUSAND	TERMINAL GROWTH	WACC (POST-TAX)	GOODWILL
	2016	2016	2016
Europe North	2.0%	10.3%	106,444
Europe West	2.0%	8.8%	61,997
Europe Central	2.0%	8.8%	70,082
TOTAL			238,523

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 14 - IMPAIRMENT TEST (CONTINUED)

SENSITIVITY ANALYSIS

The calculation of value in use for the Regions is most sensitive to the following assumptions:

- EBITA margin
- Discount rates (WACC)
- Terminal growth rates

EBITA margin represents operating margin before interests, tax, and amortisations. EBITA margin highly depends on actual performance in revenues and fixed costs bases.

Discount rates represent the current market assessment of the risks specific to each Region, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its Regions and is derived from its weighted average cost of capital (WACC).

Terminal growth rates represent the indefinite growth rates beyond the projection period. Terminal growth rates are estimated according to the risk-free interest and inflation rates, for the specific Region.

Following reasonable development in following key assumptions for the Regions would result in impairment:

	EBITA MARGIN	WACC (POST TAX)	TERMINAL GROWTH
Europe North	-4.0%	> 5%	> - 2%
Europe West	-0.5%	0.5%	-1.0%
Europe Central	-1.0%	0.5%	-1.0%

FIXED ASSETS

Based on the impairment tests in Europe East and Plastic and Metal, the Group has recognised impairment on property, plant and equipment, according to the following:

EUR THOUSAND	RECOVERABLE AMOUNT	CARRYING AMOUNT OF REGION	IMPAIRMENT
Europe East	48,750	49,750	1,000
Europe Plastic and Metal	59,200	65,700	6,500

Impairment in Europe East is related to uncertainties in the political environment, while Plastic and Metal mainly relate to pressure on sales. Impairment losses solely relate to fixed assets and has been recognised as special items.

**CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER****NOTE 14 - IMPAIRMENT TEST (CONTINUED)**

ACCOUNTING POLICIES

Intangible assets with an indefinite, useful life, i.e. goodwill and the Icopal brand, are tested for impairment at least annually, or when circumstances indicate that they might be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash generating unit to which the goodwill was allocated. An impairment loss is recognised in the income statement if the carrying amount exceeds the recoverable amount. The recoverable amount is generally calculated as the present value of expected future net cash flows (value-in-use) from the entity or activity (cash-generating unit) to which the goodwill is allocated.

Impairment losses relating to goodwill are not reversed. Impairment losses on other assets are only reversed if there has been a change in the assumptions or estimates used to determine the recoverable amount. Impairment is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined if no impairment had been recognised.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND					2016
NOTE 15 - TANGIBLE ASSETS	Land and buildings	Plant and machinery	Vehicles, equipment and furniture	Assets under construction	Total
Cost at 3 February	-	-	-	-	-
Acquisition of companies	90,685	139,452	17,796	27,136	275,069
Additions	1,765	6,823	1,448	11,891	21,927
Disposals	(140)	-	(251)	-	(391)
Disposal of Region North America	(3,349)	(4,989)	(1,626)	(285)	(10,249)
Transferred to assets held for sale	(2,913)	-	-	-	(2,913)
Transferred to/from other PPE category and/or intangible assets	1,395	10,001	1,316	(14,943)	(2,231)
Foreign exchange adjustments	(779)	(1,796)	(272)	27	(2,820)
COST AT 31 DECEMBER	86,664	149,491	18,411	23,826	278,392
Depreciation at 3 February	-	-	-	-	-
Depreciations	2,565	16,839	3,796	-	23,200
Transferred to assets held for sale	(211)	-	-	-	(211)
Impairment losses	-	7,500	-	-	7,500
Foreign exchange adjustments	(48)	(1,393)	(177)	-	(1,618)
DEPRECIATION AT 31 DECEMBER	2,306	22,946	3,619	-	28,871
CARRYING AMOUNT AT 31 DECEMBER	84,358	126,545	14,792	23,826	249,521
Hereof Group internal capitalised expenses	309	5,385	136	1,618	7,448
Hereof assets under finance leases	-	-	786	-	786

The carrying amount of tangible assets pledged as security for liabilities amounts to MEUR 2.9 and disclosed in note 28 Commitments and contingent liabilities.

Additions from acquisition of companies in 2016 are related to the acquisition of the Icopal Group and Quest Construction Products UK Ltd.

Total impairment on tangible assets in 2016 amounted to MEUR 7.5 and are related to non-current assets located in the Europe East and Plastic and Metal. Please refer to note 14 for a description of impairment testing of non-current assets.

The carrying amount of capitalised interest expenses is zero in the above property, plant and equipment balance.

ASSETS HELD FOR SALE

On 31 December 2016, buildings with a carrying amount of MEUR 2.7 have been transferred to assets held for sale. There are no associated liabilities to the assets held for sale. In connection with the transfer no impairment loss was recognised.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 15 – TANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICIES

Land and buildings, plant and machinery and vehicles, equipment and furniture are measured at cost less accumulated depreciation and impairment.

Cost comprises the expenditure that is directly attributable to the acquisition of the item. The cost of internally generated assets comprises directly attributable payroll costs as well as the costs of materials, components, sub-suppliers, wages and salaries and capitalised borrowing costs on specific or general borrowing attributable to the construction of the asset.

It is the Group's policy to capitalise interest expenses for investment projects with a total project value above MEUR 0.5 and a time horizon for implementation of more than 12 months.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised from the statement of financial position and recognised as an expense in the income statement. Costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

The cost of a combined asset is divided into components that are depreciated separately if they have different useful lives.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

	Years
Buildings	50
Light buildings	10
Plant and machinery	10
Vehicles, equipment and furniture	5 to 7
Land is not depreciated.	

Depreciation is recognised in the income statement under cost of sales, sales expenses, research and development expenses and administrative expenses.

The depreciable amount is determined by taking into account the residual value of the asset and is reduced by any impairment losses. The residual value is determined at the date of acquisition and reviewed annually. Depreciation ceases if the residual value of an asset exceeds its carrying amount.

Gains and losses on disposals are determined as the difference between the expected selling price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively, except for material gains and losses arising from disposal of land and buildings that are recognised under 'Special items'.

The carrying amount is subject to an annual impairment review. When an indication exists that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's net selling price and its value in use. If neither an asset's net selling price nor its value in use is determinable, e.g. if cash flows from the asset are dependent on cash flows from other assets, the value in use is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or the net assets of a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 15 - TANGIBLE ASSETS (CONTINUED)

LEASES OF PROPERTY, PLANT AND EQUIPMENT where the Group has substantially all the risks and rewards of ownership are classified as finance leases and recognised in the balance sheet as assets. The assets are initially recognised at cost, which is equivalent to the lower of their fair value and the present value of the future lease payments. The present value is measured using the interest rate implicit in the lease or an approximation thereof as the discount rate. The capitalised residual lease commitment on finance leases is recognised as a liability, measured at amortised costs.

All other leases are accounted for as operating leases. Lease payments under operating leases are recognised on a straightline basis in the income statement over the lease term. Information on the remaining lease commitment is disclosed in the notes under leasing commitments.

Operating lease obligations are disclosed in note 28 Commitments and contingent liabilities.

NOTE 16 - INVENTORIES

EUR THOUSAND	2016
Raw materials and consumables	34,141
Work in progress	4,878
Finished goods and goods for resale	67,697
INVENTORIES	106,716
Amount of inventories recognised as an expense during the year	326,337
Amount of write-down of inventories recognised as an expense during the year	1,610
Amount of reversal of write-down of inventories during the year	332

The reversal of write-downs in 2016 resulted from the sale of goods at a higher value than the carrying amount and mainly related to activities in Region Europe East, North and Central.

Obsolete raw materials and finished goods are generally scrapped and are fully written down. The costs of scrapped goods are included in the cost of sales.

The carrying amount of inventories pledged as security for liabilities are disclosed in note 28 Commitments and contingent liabilities.

ACCOUNTING POLICIES

Inventories are measured at the lower of cost (in accordance with the weighted average cost method) and net realisable value. Finished goods for resale, raw materials and consumables comprise the purchase price plus costs incurred in bringing the inventories to their existing location and condition.

The costs for work in progress, finished products and merchandise comprise raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. Net realisable value is determined by taking into account marketability, obsolescence and the development of the expected selling price.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER**NOTE 17 - TRADE RECEIVABLES AND CREDIT RISK**

The Group is exposed to credit risks from its operating activities; primarily trade receivables. In addition, cash deposits and other financial instruments held with or through financial institutions entail credit risk.

Credit risk related to cash deposits and other financial institutions is included in note 24 borrowings and financial risk management.

Most of the Group entities participate in a Group-wide insurance programme to cover defaults for trade receivables in excess of EUR 10,000. Under the programme, the insurer assesses the credit quality of the customer and, if approved, receivables are fully covered. However, from time to time it may be decided to grant trade credit outside the scope of the insurance coverage in accordance with the Group policies.

The Group has a credit policy, which ensures that all customers are rated on a regular basis. Credit limits are determined based on an assessment of the individual customer. If the credit rating of a customer is considered to be insufficient, the payment terms will be changed or security or credit insurance will be obtained. The Group regularly monitors its credit exposure to customers as part of the risk management. The customer types in the individual segments are typically very similar, regardless of the geographical location of the customer.

The Group's customers are primarily large, well-consolidated builders, merchants and contractors. The trade receivable exposure is spread over a large number of customers with no single significant trade debtor. The Group has no trade receivables concentrated in specific regions.

Security is not normally required for receivables, and only limited security had been provided at 31 December 2016.

An impairment analysis is performed at each reporting date. When no objective indication of individual impairment losses exists, receivables are collectively assessed for impairment at portfolio level by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Group used historical experience and actual market developments. In 2016, no significant impairment losses were incurred in respect of individual trade receivables.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 17 - TRADE RECEIVABLES AND CREDIT RISK (CONTINUED)

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit risk exposure. The carrying amount of trade receivables was MEUR 97.4.

EUR THOUSAND	2016		
AGING OF RECEIVABLES:	Gross	Impairment	Carrying amount
Not due	81,137	(24)	81,113
Overdue 0 to 30 days	11,689	(3)	11,686
Overdue 31 to 60 days	3,138	(8)	3,130
Overdue 61 to 90 days	735	(13)	722
Overdue 91 to 120 days	205	(12)	193
Overdue 121 to 150 days	340	(15)	325
Overdue more than 150 days	1,090	(81 /)	273
TOTAL, NET	98,334	(892)	97,442

DEVELOPMENTS IN IMPAIRMENT LOSSES ON TRADE RECEIVABLES:	2016
Impairment at 3 February	
Recognised during the year	892
IMPAIRMENT AT 31 DECEMBER	892

ACCOUNTING POLICIES

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

Impairment losses are calculated as the difference between the carrying amount and the net realisable value, including the expected net realisable value of any recoverable collateral and credit insurance. Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the income statement under selling expenses.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Impairment losses are based on management's assessment of the customer's creditworthiness and expected ability to pay, past due amounts and customer insolvency. Management also uses mathematically computed impairment losses based on customer segments, terms of payment and historical information as well as general economics in the countries.

The financial uncertainty associated with impairment losses is considered low as the amounts written off historically have been relatively low. In 2016, impairment losses recognised in the income statement was MEUR 0.9 corresponding to 0.1% of revenue.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND	2016
NOTE 18 - WORK IN PROGRESS	
Sales value	49,767
Invoicing on account	47,833
TOTAL	1,934
The following is recognised:	
Work in progress, receivables	3,602
Work in progress, payables	1,668
TOTAL	1,934
Pre-payments from customers on non-commenced contracts	11
Retained payments	31

Revenue recognised from contract work in progress amounted to MEUR 74.1 in 2016.

All receivables relating to work in progress are expected to be received within 12 months.

ACCOUNTING POLICIES

Work in progress is measured at the selling price of the work performed less progress billings and anticipated losses. Work in progress is characterised by a high degree of individualisation in the design of the goods produced. Furthermore, a binding contract must be signed before commencement of the work that will result in a fine or compensation in case of subsequent cancellation.

The selling price is measured according to the stage of completion at the balance sheet date in relation to the total expected income from the contract. The stage of completion is determined on the basis of an assessment of the work performed, and primarily calculated as the ratio of expenses incurred to total anticipated expenses for the respective contract.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision. When income and expenses on work in progress cannot be determined reliably, the selling price is measured as the costs incurred that are likely to be recovered. If the selling price of work performed exceeds progress billings and anticipated losses, the excess is recognised as an asset. On the other hand, if progress billings and anticipated losses exceed the selling price of work in progress, the deficit is recognised as a liability.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 19 - SHARE CAPITAL AND RESERVES

SHARE CAPITAL

The share capital of BMI Group Holdings UK Limited consist of 100 shares of GBP 0.01 each and 100 shares of USD 0.01 each. The shares are not freely tradable.

SHARES ISSUED AND FULLY PAID	Shares of GBP 0.01 each	Nominal value, GBP	Shares of USD 0.01 each	Nominal value, USD	Nominal value, EUR
3 February	100	1			1.17
24 March			100	1	0.90
31 DECEMBER	100	1	100	1	2.07

SHARE PREMIUM

The share premium includes capital paid in addition to the nominal share capital by the shareholders. According to the articles of association the share premium is not available for distribution of dividends.

TRANSLATION RESERVE

The translation reserve comprises currency translation adjustments resulting from the translation of the financial statements of foreign entities from their functional currencies into the presentation currency of BMI Group Holdings UK Limited (EUR) as well as from the translation of intra-group loans considered part of the investment in subsidiaries.

On full or partial realisation of the net investment, currency translation adjustments are recognised in the income statement in the same item as the gain/loss.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND	2016
NOTE 20 - EMPLOYEE BENEFIT OBLIGATIONS	
Pension obligations	42,853
Other employee benefit obligations	2,238
TOTAL	45,091

The Group has entered into pension agreements with a significant number of the Group's employees. The majority of the plans are defined as contribution plans, but defined benefit plans are in place in Sweden, Austria, Germany, France and Slovakia.

The Group's defined benefit pension plan is a final salary plan for the Group's employees. The plans are governed by the employment laws of respective countries, which require final salary payments to be adjusted for the income base index upon payment during retirement. The level of benefits provided depends on the member's age, length of service, previously earned occupational pension and salary at retirement age.

Since the pension liability is adjusted to the income base index, the pension plan is exposed to inflation, interest rate risks and changes in the life expectancy for pensioners.

Other employee benefit obligations consist of obligations regarding jubilee, long service benefits and other social benefits.

DEFINED CONTRIBUTION PLANS

The Group finances the plans through regular premium payments to independent insurance companies that are responsible for the pension obligations. When the pension contributions of the defined contribution plans have been paid, the Group has no further pension obligations towards current or former employees.

DEFINED BENEFIT PLANS

For certain groups of employees, the Group has historically entered into agreements to pay certain benefits including pensions. These obligations are not, or only partly, covered by insurance. These uninsured plans were recognised in the balance sheet and income statement as shown below.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND

NOTE 20 - EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

	Pension obligations	Other employee benefit obligations
EUR THOUSAND	2016	2016
BALANCE SHEET		
Net present value of funded obligations	14,613	47
Fair value of plan assets	1,274	-
Funded obligations, net	13,339	47
Net present value of non-funded obligations	29,514	2,191
OBLIGATION RECOGNISED IN THE BALANCE SHEET	42,853	2,238
TOTAL COMPREHENSIVE INCOME		
Recognised in income statement		
Current service expenses	(533)	(244)
Interest expenses	(673)	(14)
Expected return on assets	101	-
Curtailment or settlement	(6)	-
TOTAL RECOGNISED IN INCOME STATEMENT	(1,111)	(258)
Recognised in other comprehensive income		
Actuarial gains/ losses	(685)	(95)
TOTAL RECOGNISED IN OTHER COMPREHENSIVE INCOME	(685)	(95)
TOTAL AMOUNT RECOGNISED IN TOTAL COMPREHENSIVE INCOME	(1,796)	(353)
Realised return on plan assets	-	-
Expected return on plan assets	101	-
Actuarial gains/losses	0	-
REALISED RETURN ON PLAN ASSETS AT 31 DECEMBER	101	-
MOVEMENT IN THE PENSION OBLIGATION RECOGNISED		
Obligation at 3 February	-	-
Currency translation	(187)	(41)
Acquisitions of companies	43,527	2,346
Current service expenses	533	244
Interest expenses	673	14
Actuarial losses/gains	685	95
Benefits paid	(1,104)	(420)
ACTUARIAL OBLIGATIONS AT 31 DECEMBER	44,127	2,238
MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets at 3 February	-	-
Currency translation	81	-
Acquisition of companies	1,090	-
Expected return on plan assets	101	-
Participant contributions	1	-
ACTUARIAL OBLIGATIONS AT 31 DECEMBER	1,273	-
NET OBLIGATION RECOGNISED IN THE BALANCE SHEET	42,854	2,238

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER
NOTE 20 - EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

	Pension obligations	Other employee benefit obligations
	2016	2016
APPLIED ACTUARIAL ASSUMPTIONS (%)		
APPLIED ASSUMPTIONS IN GERMANY		
Discount rate	1.62%	1.20% - 1.62%
Future increase in salaries	3.30%	3.30%
Future pension increases	2.00%	2.00%
MORTALITY ASSUMPTIONS		
Female	86	86
Male	84	84
The German plan covers approximately 75% of total obligation. Therefore, these assumptions are extracted and presented in isolation.		
APPLIED ACTUARIAL ASSUMPTIONS (REMAINING PLANS)		
Discount rate	0.86% - 1.20%	1.20%
Future increase in salaries	0.50% - 2.75%	
Future pension increases	1.93% - 2.10%	
MORTALITY ASSUMPTIONS		
Female	86	86
Male	84	84

Actuaries perform the necessary calculations and valuations for all of the Group's defined benefit plans each year. The actuarial assumptions vary from country to country due to local conditions. The above assumptions represent the presented range within the Group. Discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating the term of the defined benefit obligations. In Germany, which represents approximately 75% of the net obligation, the discount rate was 1.62% and future increases in salaries 3.30%.

At December 2016, 1,164 persons were members of an Icopal defined benefit plan pension programme. The last pension plan in Germany was closed in 1994 and the pension plan in Norway was closed in 2005. The plans in France and Slovakia are not long-term pension plans as is the case for the plans in Sweden and Germany.

In the French organisation, including the affiliate in Italy, and in the Slovakian subsidiary, 374 employees are entitled to receive a one-time bonus at retirement. The amount of the bonus depends on the number of years worked at the company, and is calculated as a multiple of the average monthly salary, according to a branch agreement. The range of bonus is between one and six month's salary. These plans are open for new members.

In 2016 the total benefits paid were MEUR 1.5, estimated level of payment in 2017 is MEUR 2.1.

There are no legal or contractual requirements for making minimum funding payments for the pension or other employee benefit plans of the Group.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 20 - EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

DISTRIBUTION OF PLAN ASSETS TO COVER OBLIGATION (%)**Assets that have quoted prices in active markets**

Bonds

48%

Assets that do not have quoted prices in active markets

Cash and cash equivalents

52%

TOTAL**100%**

The quantitative sensitivity analysis for significant assumptions as of 31 December 2016 as presented below is based on information received for the German pension scheme (Vedag, Germany) covering around 55% of the total obligation.

ASSUMPTIONS 2016	Discount rate	Future increase in salaries	Future pension increases	Mortality assumptions
Increase	0.25%	0.50%	0.50%	1 Year
Impact on the net defined benefit obligation	(809)	67	1,392	(1,264)
Decrease	0.25%	0.50%	0.50%	1 Year
Impact on the net defined benefit obligation	856	(65)	(1,317)	1,262

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made by the Group in the future years out of the defined benefit plan obligation:

EUR THOUSAND

Within the next 12 months (next annual reporting period)

2,075

Between two and five years

8,591

Between five and ten years

12,151

TOTAL EXPECTED PAYMENTS WITHIN TEN YEARS**22,817**

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 20 – EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

ACCOUNTING POLICIES

Contributions to **DEFINED CONTRIBUTION PLANS** are recognised in the income statement as Staff costs as the related service is provided. Any outstanding contributions are recognised in the balance sheet as Other liabilities.

The liability (or asset) recognised in the balance sheet in respect of **DEFINED BENEFIT PENSION PLANS** is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value is determined on the basis of assumptions about the future development of variables such as salary and pension levels, interest rates and mortality. The present value is determined only for benefits earned by employees from their employment with the Group.

Estimated future cash outflows are determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the income statement under Financial expenses.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately, in profit or loss under Staff costs as past service costs.

If a pension plan constitutes a net asset, the asset is only recognised to the extent that it represents future refunds from the plan or will lead to reductions in future contributions to the plan.

OTHER LONG-TERM EMPLOYEE BENEFITS are recognised based on an actuarial calculation. Remeasurements as a result of experience adjustments and changes in actuarial adjustments are recognised under Staff costs. Interest on long-term employee benefits are recognised under Financial expenses.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND	2016
NOTE 21 - DEFERRED TAX	
Deferred tax at 3 February	0
Currency adjustment	411
Acquisition of enterprises	101,073
Divestment of activities (Region North America)	(55,988)
Adjustment due to changed tax rate - recognised in the income statement	(555)
Change in deferred tax - recognised in the income statement	(5,662)
Change in deferred tax - recognised in equity	(451)
DEFERRED TAX AT 31 DECEMBER	38,828
Deferred tax assets	16,268
Deferred tax liabilities	55,096
DEFERRED TAX AT 31 DECEMBER	38,828
SPECIFICATION OF DEFERRED TAX	
Intangibles	33,623
Tangibles	26,548
Financial assets	284
Inventory	(145)
Receivables	960
Provisions	(9,280)
Other non-current liabilities	(260)
Other current liabilities	(2,599)
Tax losses carried forward	(12,943)
Tax credits	307
Valuation adjustments	2,333
TOTAL DEFERRED TAX AT 31 DECEMBER	38,828
AMOUNTS DUE AFTER 12 MONTHS, ESTIMATED	37,972
TAX LOSS CARRIED FORWARD	
Total tax losses carried forward	85,728
Tax losses expected to be utilised	52,117
UNRECOGNISED TAX LOSS CARRIED FORWARD	33,611
DEFERRED TAX ASSETS FROM TAX LOSSES RECOGNISED IN THE BALANCE SHEET	12,943
UNRECOGNISED TAX LOSS CARRIED FORWARD	
Russia	5,925
Slovakia	7,931
Belgium	10,827
United Kingdom	1,457
France	1,567
Other countries	5,904
UNRECOGNISED TAX LOSS CARRIED FORWARD	33,611

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 21 – DEFERRED TAX (CONTINUED)

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income and taxes levied by the same tax authority.

Tax loss carry-forwards are only recognised to the extent that it is more likely than not that future taxable profit will be available against unused tax losses within a foreseeable time horizon. Any restriction in utilisation in the local tax legislation likely to have an impact has been taken into account.

The Group has unrecognised tax loss carry-forwards mainly, Russia, Slovakia, Belgium and United Kingdom. Countries with smaller unrecognised tax loss carry-forwards are presented under other countries. These unrecognised tax losses can be carried forward indefinitely in the individual countries with the current business structure, with the exception of Russia and Slovakia where tax losses can be carried forward for ten and five years, respectively.

ACCOUNTING POLICIES

CURRENT TAX PAYABLE AND RECEIVABLE is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

DEFERRED TAX is provided in full, using the liability method, on temporary differences arising between the carrying amount and the tax base of assets and liabilities. However, deferred tax liability is not recognised if it arises from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis or to realise assets and settle liabilities, simultaneously.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Deferred tax assets relating to tax loss carry-forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future. It reflects any restrictions in utilisation defined by local tax legislation. This judgment is made on the reporting date based on budgets and estimates.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND			2016
NOTE 22 - PROVISIONS	Warranties	Other	Total
Provisions at 3 February	-	-	-
Additions from acquisitions	12,034	13,249	25,283
Disposal of Region North America	(5,126)	-	(5,126)
Foreign exchange adjustments	368	87	455
Additions	2,543	1,364	3,907
Reversed	(709)	803	94
Used	(963)	(4,825)	(5,788)
PROVISIONS AT 31 DECEMBER	8,147	10,678	18,825
Current	5,702	6,911	12,613
Non-current	2,445	3,767	6,212
PROVISIONS AT 31 DECEMBER	8,147	10,678	18,825

The Group provides normal warranties in respect of products and services supplied to customers. The warranty period varies depending on normal practice in the market in question. However, the period is typically between one and five years. Warranty obligations have been determined separately for each company based on normal practice in the specific market and historical warranty costs.

Other provisions cover a variety of short and long-term obligations. However, the majority of the obligations refer to site restoration and similar environmental obligations. The obligations are calculated on the basis of internal and external assessments.

ACCOUNTING POLICIES

Provisions for warranties, losses on work in progress, restructurings, etc. are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Warranties comprise obligations to make good any defects within the warranty period of one to twenty years. Provisions for warranties are measured and recognised based on past experience. Provisions expected to be settled more than one year after the balance sheet date are discounted at the average local treasury bond interest rate. The increase in the provision due to the passage of time is recognised as interest expense.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Management assesses provisions, contingent assets and liabilities and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events that are uncertain by nature. In evaluating the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND	2016	
	Carrying amount	Fair value
NOTE 23 - FINANCIAL INSTRUMENTS		
CATEGORIES OF FINANCIAL INSTRUMENTS		
Trade receivables	97,442	97,442
Other receivables *	68,124	68,124
Cash and cash equivalents	167,579	167,579
FINANCIAL ASSETS MEASURED AT AMORTISED COST	333,145	333,145
Contingent consideration	19,477	19,477
FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS	19,477	19,477
Borrowings	425,252	425,252
Trade payables	60,639	60,639
Other liabilities **	22,417	22,417
FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS	508,308	508,308

* Excluding non-financial instruments such as pre-payments

** Excluding non-financial instruments such as public debt, pre-payments and staff payables

The fair value of the financial instruments are approximately equal to the carrying amount. For trade receivables and payables and other receivables and payables this is due to the short-term nature of these balances. For borrowings this is based on floating interest rate based balances.

The financial instruments used by the Group are, except for the contingent consideration, classified under level 2. Consequently, the fair value for borrowings, is determined on observable market data using generally accepted methods. The contingent consideration is classified under level 3, cf. note 26 Business Combinations.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 24 - BORROWINGS AND FINANCIAL RISKS

The Group is financed through non-current loans from the parent GAF LLC. The loans have primarily been obtained in order to acquire Icopal Holding ApS in April 2016.

EUR THOUSAND	2016
NON-CURRENT BORROWINGS	
Debt relating to finance leases	371
Borrowings from related parties	423,371
Other	195
NON-CURRENT BORROWINGS	423,937
CURRENT BORROWINGS	
Debt relating to finance leases	415
Borrowings from related parties	180
Other	720
CURRENT BORROWINGS	1,315
TOTAL BORROWINGS	425,252

ACCOUNTING POLICIES

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction cost incurred. Subsequently, borrowings are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Foreign exchange adjustments of the non-current borrowings which are neither planned nor likely to be settled in the foreseeable future are considered structural loans and thus are recognised directly in other comprehensive income.

FINANCIAL RISK MANAGEMENT

The Group's operating, investing and financing activities create exposure to various financial risks. These risks include market risk (commodity-, foreign exchange- and interest rate risk), credit- and liquidity risk.

The Group's financial risk is managed by Group Treasury under policies approved by the directors. The risk management framework is described in the strategic report.

COMMODITY PRICE RISKS

The Group is affected by the price volatility of certain commodities. The principal raw materials used for production are bitumen, elastomers (e.g. SBS), reinforcement, polymers (e.g. PVC) and steel.

The pricing of raw materials is closely monitored by the Group. It is not a part of the financial risk management strategy to enter into commodity derivatives.

The Group acquired certain commodity derivatives from the acquisition of Icopal Holding ApS. All derivatives have been settled at 31 December 2016.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 24 - BORROWINGS AND FINANCIAL RISKS (CONTINUED)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's receivables and borrowings from related parties denominated in USD.

The Group is exposed to a low level of currency risk from its operating activities as revenue and expenses are primarily denominated in the functional currency of each foreign entity. However, the Group is exposed to currency risk in relation to the translation of income statements and net assets of foreign entities into the presentation currency (EUR) of the Group. It is currently not a part of the financial strategy to enter into currency derivatives.

SENSITIVITY ANALYSIS

The Group's exposure to foreign currencies primarily relates to fluctuations in USD/EUR. At 31 December 2016 the Group's net exposure to USD/EUR amount to MEUR 292.7. It is estimated that an increase in USD by 10% against the EUR, will hypothetically decrease net profit by MEUR 29.3 and decrease equity by MEUR 29.3. A similar decrease in USD against the EUR would, all other things being equal, have the reverse impact on the consolidated financial statements. The sensitivity analysis is based on the Group's financial assets and liabilities as of 31 December 2016.

INTEREST RATE RISK

The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations with floating interest rates. It is currently not a part of the financial risk management strategy to enter into interest rate swaps to hedge the exposure to fluctuations in future cash flows due to changes in interest rates.

The group's exposure to interest rates at the reporting date is shown below:

	Effective interest rate	Rate fixation	Carrying amount EUR thousand	% of total borrowing	Inherent rate risk
2016					
BORROWINGS					
Floating rate	0.51%	1-6 months	422,176	99%	Cash flow
Fixed rate	6.85%	0-3 years	3,076	1%	Fair value
Fixed credit spread	3.31%	3 years	-		Fair value
TOTAL BORROWINGS			425,252		

The stated effective interest rates are average weighted values. The fixed credit spread is paid in addition to the floating interest rates. The floating rate is based on year-end 2016.

CURRENCY OF BORROWINGS TRANSLATED TO EUR THOUSAND	Debt with floating rate	Debt with fixed rate	Floating rate	Fixed rate	Fixed credit spread
EUR	62,437	2,805	LIBOR	6.86%	8.00%
USD	359,739	-	LIBOR	-	1.50%-2.50%
Other	-	271	-	6.77%	-
TOTAL	422,176	3,076			

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 24 – BORROWINGS AND FINANCIAL RISKS (CONTINUED)

The Group leases production equipment under finance leases. The lease term is typically between two and five years, with an option to purchase the asset in question at a favourable price on expiry of the lease term. All leases follow a fixed repayment profile and none of the leases include provisions for conditional lease payments, apart from a provision for indexation based on public indices. The leases are non-cancellable during the agreed lease term, but may be extended on renewed terms. The leases are normally based on a fixed interest rate.

SENSITIVITY ANALYSIS

It is estimated that a general increase in interest rates of 1%-point will decrease net profit and equity by MEUR 3.6. A decrease in interest rates of 1%-point will, all other things being equal, have the reverse impact on the consolidated financial statements. The sensitivity analysis is based on the carrying amount of financial assets and liabilities as of 31 December 2016. No adjustments are made for repayments or proceeds of/from borrowings during the year and all other variables remain constant, such as foreign currency rates.

CREDIT RISK

The Group is exposed to credit risks from its operating activities; primarily trade receivables, disclosed in note 17 Trade receivables and credit risk. In addition, cash deposits and other financial instruments held with or through financial institutions entail credit risk.

Cash deposits and other financial instruments held with or through financial institutions entail credit risk represented by the loss that would be recognised should the financial institution counterparty fail to perform as contracted. To limit the exposure it is the Group's policy primarily to enter into transactions with banking and insurance partners with an investment grade rating. Group Treasury is required to routinely evaluate the counterparty risk and can, at all times, change the level of accepted ratings. The risk that counterparties are failing to meet their contractual obligation as they fall due is consequently considered limited.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with financial liabilities due to insufficient liquidity.

AVAILABLE LIQUIDITY

The Group ensures the availability of required liquidity through a combination of cash management and uncommitted as well as committed facilities.

The Group's available liquidity mainly consists of cash and cash equivalents and unused credit facilities. Group Treasury monitors the Group's available liquidity on the basis of the expected cash flows, and the aim is to maintain sufficient cash and the availability of applicable foreign currencies. At 31 December 2016, the Group had available liquidity as illustrated below.

EUR THOUSAND	2016	MATURITY
Committed credit facilities	5,585	2017-2018
Allocated as back up-for operating guarantees	(4,853)	2017
Cash and cash equivalents, less drawn bank overdrafts	167,233	N/A
AVAILABLE LIQUIDITY	167,965	

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 24 - BORROWINGS AND FINANCIAL RISKS (CONTINUED)

For the optimisation and centralisation of cash management, the Group uses cash pools. For non-cash pool affiliates, surplus cash above the balance required for working capital management is deposited within the Group.

MATURITIES OF FINANCIAL LIABILITIES

The amounts disclosed in the table below are the contractual undiscounted cash flows. Undiscounted cash flows include expected interest payments determined using current interest rate assumptions for the remaining maturity.

The risk implied from the financial liabilities reflects the one-sided scenario of cash out-flows only. Trade payables and other financial liabilities mainly originate from the financing of assets in the ongoing operation such as property, plant and equipment and investments in trade receivables and inventories.

EUR THOUSAND	< 1 year	1-3 years	> 3 years	Contractual cash flow	Carrying amount
2016					
Borrowings	1,315	462,011	47	463,373	425,252
Trade payables	60,639	-	-	60,639	60,639
Other liabilities	22,417	-	-	22,417	22,417
Contingent consideration	-	19,477	-	19,477	19,477
FINANCIAL LIABILITIES	84,371	481,488	47	565,906	527,785

CAPITAL STRUCTURE

The Group's capital management policies are an integrated part of that of Standard Industries Inc. Management regularly assesses whether the capital structure is in the interests of the Group and its shareholders. The overall objective is to ensure continued development and to strengthen the Group's capital structure as a means of supporting long-term profitable growth and sound financial ratios. This includes the assessment and decision on the split of financing between equity and debt, which is a long-term strategic decision to be made in connection with major acquisitions and other structural initiatives.

COVENANT AND REFINANCING RISK

The Group is not exposed from complying with loan covenants. The majority of non-current borrowings is scheduled for refinancing in 2019.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER

EUR THOUSAND	2016
NOTE 25 - OTHER LIABILITIES	
Accrued VAT, duty and payroll tax	10,903
Other creditors	65,811
TOTAL	76,714

ACCOUNTING POLICIES

Other liabilities classified as financial liabilities are measured at amortised cost.

Other payables are measured at net-realisable values.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 26 - BUSINESS COMBINATIONS

ACQUISITION OF ICOPAL HOLDING APS

On 4 April 2016, the Group obtained control of Icopal Holding ApS (Icopal Holding Group) by acquiring 100% of the shares. The Icopal Holding Group delivers high-end products for roofing and offers a broad service range including installation services. The Icopal Group is headquartered in Denmark and employs approximately 3,500 people worldwide. Information on Icopal's contribution to the Group's financial result for 2016 is disclosed below.

At time of acquisition, the Icopal Holding Group had activities in Europe and North America. However, the Region North America was divested immediately after the acquisition to GAF LLC. For further information, refer to note 27 Discontinued Activities.

Consequently, with the acquisition of Icopal Holding Group, the Group has gained access to the European markets for high-end roofing products.

The purchase price for the acquisition totalled MEUR 195, which consists of:

EUR THOUSAND	2016
PURCHASE CONSIDERATION	
Cash consideration	175,747
Contingent consideration	19,477
TOTAL CONSIDERATION	195,224

The fair value of the identifiable assets and liabilities of Icopal Holding Group as at the date of acquisition were:

	Fair value recognised on acquisition
Intangible assets	279,555
Property, plant and equipment	274,977
Other non-current assets	16,903
Inventories	126,070
Trade receivables	122,020
Other current assets	15,472
Cash equivalent	31,992
Provisions and employee benefit obligations	(69,971)
Deferred tax liabilities, net	(101,072)
Borrowings, current and non-current	(772,707)
Trade payables	(72,082)
Other liabilities	(79,267)
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	(228,110)
Goodwill	423,334
TOTAL CONSIDERATION	195,224
Cash and cash equivalents acquired	(31,992)
Contingent consideration	(19,477)
ACQUISITION OF BUSINESS, CASH OUT-FLOW	143,755

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 26 - BUSINESS COMBINATIONS (CONTINUED)

The net assets recognised at the acquisition date were based on an assessment of their fair value.

The goodwill of MEUR 423 comprises the value of expected synergies arising from the acquisition. Goodwill amounting to MEUR 238 has been allocated to the European Regions, which are determined as CGUs of the continuing group. None of the goodwill recognised is expected to be deductible for income tax purposes. The remaining goodwill amounting to MEUR 185 was allocated to Region North America, which subsequently has been divested.

The fair value of trade receivables amounts to MEUR 122. The gross amount of trade receivables is MEUR 131 of which MEUR 9 is not expected to be received.

From the date of acquisition, Icopal Group contributed MEUR 669 of revenue and MEUR 26 to profit before tax for the Group. If the combination had taken place at the beginning of the year, revenue would have been MEUR 787 and profit before tax would have been MEUR 15 for the Group excluding Region North America, which was divested at the acquisition date, cf. note 27. The pro forma figures are based on the actual acquisition price and purchase price allocation as at the acquisition date, whereas depreciations and amortisations are included in the pro forma figures from 3 February 2016.

The Group has incurred transaction costs of MEUR 0.2, which have been included in the income statement as special items.

CONTINGENT CONSIDERATION

As part of the purchase agreement with the previous owners of Icopal Holding ApS a contingent consideration has been agreed. The contingent consideration to the previous owners of Icopal Holding ApS are based on EBITDA targets for the European region for 2016 and 2017 maximised at MEUR 82.5. Any additional cash payments are estimated to be payable in 2018.

As at the acquisition date, the fair value of the contingent consideration was estimated at MEUR 19.5. The fair value is based on expected probabilities for the EBITDA targets and discount rates of 3.0% and 3.7%. Significant increases (decreases) in the EBITDA of the European regions will result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability.

As of December 2016, the key performance indicators of the European regions have been reviewed, which have not given rise to any significant change in the fair value of the contingent consideration. Accordingly, no unrealised fair value change of the contingent consideration has been recognised in the income statement in 2016.

ACQUISITION OF QUEST CONSTRUCTION PRODUCTS LLC.

On 26 April 2016, the Group acquired all shares in Quest Construction Products LLC, which supplies fluid-applied roofing systems and roof-coating systems in North America. The purchase price for the shares was MEUR 0.5. As the acquisition of Quest Construction Products LLC is considered immaterial to the Group, no further disclosures are provided in respect of that acquisition.

BUSINESS COMBINATIONS AFTER THE BALANCE SHEET DATE

On 3 April 2017, the Group closed its voluntary public takeover offer for Braas Monier Building Group S.A. (Braas Monier) by acquiring approximately 94.5% of the shares. Subsequently, additional Braas Monier shares have been acquired, where after the Group holds 100% of the share capital and voting rights.

Braas Monier is a leading manufacturer and supplier of pitched roof products in Europe, parts of Asia and South Africa. As at 31 December 2016, Braas Monier had operations in 36 countries and employed almost 8,000 people. In 2016, Braas Monier generated revenues of MEUR 1,236.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 26 - BUSINESS COMBINATIONS (CONTINUED)

The consideration for the shares was MEUR 1,088 paid in cash. Due to the short period of time between the acquisition and the publication of the annual report, it has not been possible to allocate the purchase price to the assets acquired and liabilities assumed before the publication of the annual report. The purchase price allocation is expected to be completed during 2017.

ACCOUNTING POLICIES

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value on the acquisition date, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in special items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED
NOTES TO THE BALANCE SHEET AT 31 DECEMBER****NOTE 26 - BUSINESS COMBINATIONS (CONTINUED)**

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Fair values on intangible assets highly depend on current expectations for future years, including synergies. This assessment is supported by internal market knowledge, but also by external macro economical sources. The forecasts used for these analyses were approved by the directors. Useful life has been applied in the determination of fair values. The terminal growth rates do not exceed the expected long-term average growth rate, including inflation for the business.

The WACC was determined in line with generally recognised principles and is based on the target capital structure of the Group. The WACC comprises the risk-free interest rate in the denominated currency, the premium on borrowings and equity for the targeted capital structure, a regional premium and a general market size premium. Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are reflected in the discount rate.

The contingent consideration, resulting from the acquisition of Icopal Holding Group, is valued at fair value at the acquisition date as part of the business combination. The fair value of this contingent consideration is highly dependent on expectations for future EBITDA targets and the probability for meeting these targets. The contingent consideration is payable within the range of MEUR 0 - 82.5 and has been recognised at fair value at the acquisition date as well as on 31 December 2016 by an amount of MEUR 19.5.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 27 – DISCONTINUED ACTIVITIES

When the Icopal Holding Group was acquired on 4 April 2016, the Icopal Group's activities included North America (Region North America) operated through Roofing Holding Inc. and its subsidiaries. Following the acquisition of Icopal Group and as part of the integration with GAF, Roofing Holding Inc., a wholly owned subsidiary of Icopal ApS was sold to GAF LLC on 4 April 2016 for a total consideration of MEUR 258.

RECOGNITION OF THE DISPOSAL

As the disposal of Roofing Holding Inc. took place immediately after the acquisition of the Icopal Group, the consideration corresponds to the fair value of the net assets acquired in Region North America. Consequently, the Group has not recognised any gain or loss in the consolidated financial statements in connection with the disposal.

No income from discontinued operations has been realised. Similarly, no cash flows from operating, investing or financing activities have been recorded from the discontinued operations.

EUR THOUSAND	2016
CASH FLOW IMPACT FROM DISPOSAL OF REGION NORTH AMERICA	
Goodwill	185,444
Customer relationships	138,940
Other intangible assets	1,167
Property, plant and equipment	10,249
Inventory	8,319
Trade receivables	11,441
Other receivables	41,598
Cash and cash equivalents	6,472
Deferred tax liabilities, net	(55,812)
Borrowings, current and non-current	(76,937)
Trade payables	(5,576)
Other liabilities including provisions	(6,890)
NET ASSETS SOLD	258,413
Cash consideration received	196,196
Cash balances disposed	(6,472)
CONSOLIDATED CASH INFLOW, NET	189,724

As of 31 December 2016, the Group has recognised a receivable for the remaining consideration in the amount of MEUR 67 against GAF LLC., relating to the finalisation of the purchase price allocation.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 28 – COMMITMENTS AND CONTINGENT LIABILITIES

Operating leases consist of leases and rentals of properties, vehicles (primarily vans and company cars) and other equipment. The future minimum lease payments under operating leases are as follows:

EUR THOUSAND	2016
Due within one year	10,860
Due between 1–5 years	20,840
Due after 5 years	3,394
TOTAL	35,094

Total expenses under operating leases recognised in the income statement in the year comprise:

Lease payments in the year	8,942
Sublease payments in the year	(114)
Contingent rents	311
EXPENSED PAYMENTS RELATING TO OPERATIONAL LEASING	9,139
LEASING CATEGORIES	
Rental expense relating to properties and mobile sites	4,420
Rental expense relating to cars, machinery, computers, etc.	4,719
EXPENSED PAYMENTS RELATING TO OPERATIONAL LEASING	9,139

CONTINGENT LIABILITIES

The Group is party to certain lawsuits, disputes etc. of various scopes. It is management's opinion that, apart from what is recognised in the balance sheet or disclosed in the consolidated financial statements, the outcome of these lawsuits, disputes etc. will not have a material negative effect on the Group's financial position. As it is the opinion of the Group that the disclosure of amounts, indications on certainty and the possibility of reimbursement is not possible, no disclosure is made.

Certain guarantees were issued in connection with previous disposals of entities and business activities. Other than those recognised in the balance sheet or disclosed in the consolidated financial statements, these guarantees will not have a material effect on the Group's financial position.

At the balance sheet date, the Group has issued guarantees in favour of suppliers of MEUR 7.1.

On 20 November 2014, the Danish Competition and Consumer Authority ("DCCA") conducted a dawn raid at the premises of Icopal Danmark ApS. On 31 May 2017, the Danish Competition Counsel ("DCC") rendered a decision finding that Icopal Danmark engaged in anti-competitive conduct based on its participation in an industry council that issues standards and specifications for certain roofing materials which were developed and applied in a manner that restricts competition. The Company intends to appeal the DCC's decision and will vigorously defend against any claims brought by any third parties. The Group does not expect a potential claim to have a material impact on its financial position, operating profit or cash flow.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED OTHER NOTES

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

CONTRACTUAL COMMITMENTS

The Group has entered into service contracts of various lengths regarding sales, logistics and IT. Costs relating to the contracts are recognised as services.

PLEDGES

The table below summarises the carrying amount of assets pledged as security for liabilities at 31 December 2016:

EUR THOUSAND	2016
Property, plant and equipment	2,906
Intangible assets	359
Inventory	1,084
Receivables	3,171
TOTAL	7,520

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 29 - RELATED PARTIES

BMI Group Holdings UK Limited is controlled by GAF Holdings LLC. The ultimate parent company is Standard Industries Inc.

Related parties to the Parent Company are the key management personnel and senior executives in the subsidiaries and associated companies, including their respective close members of the family.

Remuneration to the key management personnel is disclosed in note 5.

Apart from employment contracts, as described in note 5, no agreements or transactions have been entered into between the Group and the key management personnel / senior executives.

Transactions between Group companies within the Group comprise deposits, loans, management fees, royalties, interest and ordinary trade. These transactions have been eliminated in the consolidated financial statements.

The following table provides the total amount of transaction that have been entered into with related parties for the year:

EUR THOUSAND	2016
	Other related parties
TRANSACTIONS	
Sales of goods	1,151
Management fee (administration costs)	(2,313)
Integration costs (special items)	(135)
Royalty	1,102
Interest income	2,195
Interest expenses	(13,487)
Capital contribution	532
Sale of Region North America	258,414
TOTAL	247,459
	Other related parties
OUTSTANDING AMOUNTS AT 31 DECEMBER 2016	
Trade receivables	357
Receivables from related parties	68,124
Borrowings	(423,551)
Payables to related parties	(1,915)
TOTAL	(356,985)

There were no transactions between the Group and the ultimate parent company.

ASSOCIATED COMPANIES

The related parties further includes the associated companies, cf. note 30, in which the Group has a significant influence.

None of the associated companies are considered material to the financial statements.

During the year, there have not been any material transactions between the Group and the associated companies.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 30 - SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 31 December 2016, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated, are:

Registration No.	Name and address	Country of incorporation or establishment	Share identity	% Holding
EUROPE NORTH				
12069480	Anpartsselskabet af 1. oktober 2010 Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
24257819	Icopal Danmark ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
16509191	Icopal Entreprise ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
15959908	Optilite ApS Bjerrevej 138, 8700 Horsens	Denmark	Ordinary	100%
10871993	Icopal OÜ * Laki 3, EE-10621 Tallin	Estonia	Ordinary	100%
1737586-1	Icopal Holding Oy Läntinen Teollisuuskatu 10, 02920 Espoo	Finland	Ordinary	100%
0415894-8	Icopal Katto Oy Läntinen Teollisuuskatu 10, 02920 Espoo	Finland	Ordinary	100%
0100573-5	Icopal Oy Läntinen Teollisuuskatu 10, 02920 Espoo	Finland	Ordinary	100%
LV40003591557	SIA Icopal * Ukmerg_s g. 427, LT-14185 Riga	Latvia	Ordinary	100%
111774432	Icopal UAB * Ukmerg_s g. 427, LT-14185 Riga	Lithuania	Ordinary	100%
934.273.672	Fjeldhammer Brug AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
911.671.549	Icopal AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
984.059.507	Icopal Holding AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
980.770.400	Icopal Metall AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
991.315.217	Icopal Norge AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
984.834.683	Icopaltak AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%
913.442.679	Icopaltak Holding AS Fjellhamarveien 52, 1472 Fjellhamar	Norway	Ordinary	100%

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 30 - SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Registration No.	Name and address	Country of incorporation or establishment	Share identity	% Holding
556323-1835	Brave Produktion AB Textilvagen 1 - Box 89, 515 22 Viskafors	Sweden	Ordinary	100%
556532-4562	BS Brave AB c/o Icopal AB Box 848, 201 80 Malmö	Sweden	Ordinary	100%
556013-0709	Icopal AB Skeppsbron 11 - Box 848, 201 80 Malmö	Sweden	Ordinary	100%
556375-1535	Icopal Entreprenad AB Skeppsbron 11 - Box 848, 201 80 Malmö	Sweden	Ordinary	100%
556610-7750	Icopal Holding AB Skeppsbron 11 - Box 848, 201 80 Malmö	Sweden	Ordinary	100%
556733-0583	RFG Holding AB c/o Icopal Holding AB, Box 848, 201 80 Malmö	Sweden	Ordinary	100%
556347-3130	Tätskiktsgarantier i Europa AB Skeppsbron 11 - Box 848, 201 80 Malmö	Sweden	Ordinary	100%
EUROPE EAST				
201210516	Icopal Bulgaria Ltd. * Gorski Patnik Str. 34, 1421 Lozenetz District, Sofia	Bulgaria	Ordinary	100%
970342502	Icopal VEDAG CZ. S.r.o. Dopravák_ 749/3 Dolní Chabry, Prague 8, 184 00, Czech Republic (address of Administration office), 184 00 Praha 8 - Dolní Chabry	Czech Republic	Ordinary	100%
20-09-060342	Icopal Kft. Zrínyi M. u. 6., 8900 Zalaegerszeg	Hungary	Ordinary	100%
930311125	Icopal AWAK Sp. z o.o. Dobieszynska 56, 64-320 Buk	Poland	Ordinary	100%
730020836	Icopal Sp. z o.o. Laska 169/197, 98-220 Zdunska Wola	Poland	Ordinary	100%
970342502	VEDAG Polska Spol.z o. o. * ul. Pradzynskiego 20, 63-000 Sroda Wlkp.	Poland	Ordinary	100%
100912063	Villas Polska Sp. z o.o. * Nawrot 4, 90-060 Lodz	Poland	Ordinary	100%
J40/7971/2006	Icopal Romania S.r.l. * George Calinescu street No 20, block 19A, entrance B, ap. 27, district 1, 11691 Bucharest	Romania	Ordinary	100%
1077757544028	OOO Rovakate (Moscow) * Mazhorov per. 14, bldg. 4, 107023 Moscow	Russia	Ordinary	100%
1027809232824	OOO Rovakate (St. Petersburg) * Finlyandskiy pr, 4, liter "A", 194044 Saint-Petersburg	Russia	Ordinary	100%

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED OTHER NOTES

NOTE 30 - SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Registration No.	Name and address	Country of incorporation or establishment	Share identity	% Holding
1045007205044	000 Villaco Nizhegorodskaya street, 20, 601144 Petushki	Russia	Ordinary	100%
36531740	Icopal a.s. Továrenská 1, 943 03 Štúrovo	Slovakia	Ordinary	100%
EUROPE WEST				
9417729	Quest Construction Products UK Ltd. *** **** Units 1 & 2 Eldon Way, SG18 8NH Biggleswade, Bedfordshire	United Kingdom	Ordinary	100%
882452154	Icopal BVBA Assesteenweg 25-29, 1740 Ternat	Belgium	Ordinary	100%
305 189 052	Comptoir de l'Etanchéité SAS 191 avenue de Prades, 66000 Perpignan	France	Ordinary	100%
552 100 984	Icopal SAS 12 rue de la Renaissance, 92184 Antony Cedex	France	Ordinary	100%
498625516	RFG Holding SAS 12 rue de la Renaissance, 92184 Antony Cedex	France	Ordinary	100%
371599	Icopal Ireland Limited * Unit 3, Orion Business Campus, Northwest Business Park, Blanchardstown, 15 Dublin	Ireland	Ordinary	100%
81180	Necoflex Limited Unit 3, Orion Business Campus, Northwest Business Park, Blanchardstown, 15 Dublin	Ireland	Ordinary	100%
10424160157 / REA No. MI-1372915	Icopal S.r.l. * Via Fratelli Gracchi 27, 20100 Cinisello Balsamo	Italy	Ordinary	100%
CIF B59981357	Icopal Hispania S.L. * Enteza, 332-334, pta 2., 08029 Barcelona	Spain	Ordinary	100%
30203054	Esha Infra Solutions B.V. Hoendiep 316, 9744TC Groningen	Netherlands	Ordinary	100%
30202952	Hoendiep Properties B.V. Hoendiep 316, 9744TC Groningen	Netherlands	Ordinary	100%
30202950	Icopal B.V. Hoendiep 316, 9744TC Groningen	Netherlands	Ordinary	100%
1300054	Decra Roof Systems Limited * Barton Dock Road, Stretford, M32 0YL Manchester	United Kingdom	Ordinary	100%

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 30 - SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Registration No.	Name and address	Country of incorporation or establishment	Share identity	% Holding
2472635	Icopal Limited Barton Dock Road, Stretford, M32 0YL Manchester	United Kingdom	Ordinary	100%
EUROPE CENTRAL				
FN172404k	Villas Austria GmbH Industriestraße 18, 9586 Fünitz	Austria	Ordinary	100%
FN234942d	Villas Holding GmbH * Industriestraße 18, 9586 Fünitz	Austria	Ordinary	100%
HRB 52195	Feumas GmbH ** Lucie-Bolte-Str. 8, 66793 Saarwellingen	Germany	Ordinary	100%
HRB 17485	Icopal GmbH ** Capeller Strasse 150, 59368 Werne	Germany	Ordinary	100%
HRB 17738	Icopal Holding Deutschland GmbH ** Capeller Strasse 150, 59368 Werne	Germany	Ordinary	100%
HRB 6444	REC Verwaltungsgesellschaft GmbH ** Geisfelder Str. 85-91, 96050 Bamberg	Germany	Ordinary	100%
HRB 6454	VEDAG GmbH ** Geisfelder Str. 85-91, 96050 Bamberg	Germany	Ordinary	100%
HRB 18612	Viva-Dach GmbH ** Capeller Strasse 150, 59368 Werne	Germany	Ordinary	100%
HRB 64992	Wolfin Bautechnik GmbH ** Am Rosengarten 5, 63607 Wächtersbach	Germany	Ordinary	100%
20852992	Icopal d.o.o. * Cingrijina No 9, 11272 Dobanovci	Serbia	Ordinary	100%
PLASTIC & METAL				
DK87987213	Decra ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
HRB19656	Decra Dachsysteme GmbH ** Capeller Strasse 150, 59368 Werne	Germany	Ordinary	100%
HRB 94623	Icopal Kunststoffverarbeitungs GmbH ** Am Rosengarten 5, 63607 Wächtersbach	Germany	Ordinary	100%
BE0417979235	Icopal SPRL Rue de Hermée 186, 4040 Herstal	Belgium	Ordinary	100%
34110194	Icopal Synthetic Membranes BV Kerkstraat 51, NL-5050 Goirle	The Netherlands	Ordinary	100%
46995129	Icopal Synthetic Membranes Slovakia s.r.o. Továrenská 1, 943 03 Štúrovo	Slovakia	Ordinary	100%
35953411	Monarflex s.r.o. Továrenská 1, 943 03 Štúrovo	Slovakia	Ordinary	100%

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED

OTHER NOTES

NOTE 30 - SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Registration No.	Name and address	Country of incorporation or establishment	Share identity	% Holding
314281833	Polytuil France SAS ZA de Charpenay, 69210 Lentilly	France	Ordinary	100%
556509-7507	Wijo AB Ariavagen 2 - Box 26, 89 321 Bjästa	Sweden	Ordinary	100%

GROUP FUNCTIONS

9987127	BMI Group Management UK Limited *** 20 Air Street, 5th Floor, W1B 5AN London	United Kingdom	Ordinary	100%
37377635	Cortes Acquisition Company ApS *** Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
29802068	Icopal ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
32649017	Icopal DBV ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
HRB 94623	Icopal Kunststoffe Entwicklungs GmbH ** Am Rosengarten 5, 63607 Wächtersbach	Germany	Ordinary	100%
30699637	RFG Midco ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%
30616464	Icopal Holding ApS Lyskær 5, 2730 Herlev	Denmark	Ordinary	100%

ASSOCIATED UNDERTAKINGS

12625340	Garantiselskabet Dansk Tagdækning A/S Dr Neergaards Vej 15, 2970 Hørsholm	Denmark	Ordinary	50%
10206936	STS Støvring A/S Hermesvej 3, 9530 Støvring	Denmark	Ordinary	49%
29934177	Syddansk Tagdækning A/S Kometvej 30, 6230 Rødekro	Denmark	Ordinary	49%
20240075	WUPPI A/S Lyskær 5, 2730 Herlev	Denmark	Ordinary	20%
2439268-0	Multi Cap Tech Oy Teollisuustie 10, 44500 Viitasaari	Finland	Ordinary	19%
802003-4206	Sveriges Tätskiktsfabrikanterers förening Skeppsbron 11 - Box 488, 201 24 Malmö	Sweden	Ordinary	50%
556452-9237	Tätskiktsgarantier i Norden AB Gevärgatan 10 - Box 7083, 25007 Helsingborg	Sweden	Ordinary	50%

* Exempt from statutory audit

** Companies apply simplification rules of §264(3) HGB (German Commercial Code) and are included in the presented consolidated financial statements.

*** Directly held by BMI Group Holdings UK Limited

**** This company is exempt from the requirements of this Art relating to the audit of the individual accounts by virtue s479A (qualifying subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED OTHER NOTES

NOTE 31 - NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements, are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The standards and interpretations which are deemed relevant to the group are:

IFRS 9 Financial instruments and subsequent amendments to IFRS 9, IFRS 7 and IAS 39

IFRS 15 Revenue from contracts with customers

IFRS 16 Leases

None of these new standards are expected to have a significant impact on the recognition and measurement for the Group, however, the analysis of the impact from the implementation is yet to be completed.

IFRS 9 FINANCIAL INSTRUMENTS AND SUBSEQUENT AMENDMENTS TO IFRS 9, IFRS 7 AND IAS 39.

IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 further introduces a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is still assessing the impact of IFRS 9.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and all related interpretations. The standard establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's customer contracts. The new standard introduces a five-step model applicable to all contracts with customers to determine when and how revenue is to be recognised in the income statement. Under IFRS 15, revenue is recognised to reflect the transfer of control to the customer in an amount that reflects the consideration to which the Group expects to be entitled.

The Group has started its analysis of the new standard's potential impact on recognition and measurement of revenue. Based on the Group's current contract types and mix of products and services, the initial analysis shows that the new standard could have an impact on how the Group accounts for warranties. Under IFRS 15, warranties are regarded as either:

- Assurance-type warranties that promise the customer that the delivered product is specified in the contract; or
- Service-type warranties that provide a service to the customer in addition to assurance that the delivered product is as specified in the contract.

CONSOLIDATED FINANCIAL STATEMENTS BMI GROUP HOLDINGS UK LIMITED OTHER NOTES

NOTE 31 - NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED (CONTINUED)

IFRS 15 requires the Group to allocate a portion of the transaction price to a service-type warranty as it represents a distinct service and is a separate performance obligation. Contrary, an assurance-type warranty does not provide an additional good or service to the customer and is accounted for as a warranty obligation in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

The contract analysis and impact assessment is expected to be completed during 2017.

IFRS 15 will be implemented in the consolidated financial statements for 2018 when it becomes effective. The Group expects to use the relief from restating comparative figures, so the standard's requirements only apply to contracts in progress as of 1 January 2018.

IFRS 16 LEASES

IFRS 16 Leases was issued in January 2016. It replaces IAS 16 regarding leases and all related guidance and includes significant changes in the accounting treatment of leases that are currently treated as operating leases. IFRS 16 requires - with a few exceptions - all leases to be recognised in the balance sheet as an asset with a corresponding liability. Subsequently, the asset is depreciated according to the useful life of the asset. Furthermore, lease payments are split into a payment of the lease obligation and an interest expense. Hence, compared to the current treatment of operating leases where the profit and loss is subject to operating lease expenses, the profit and loss will be subject to depreciation and interest expenses.

The Group has not yet carried out a detailed analysis of the consequences from implementing IFRS 16. However, the new standard is expected only to have minor impact, as the Group in 2016 had operating leases with minimum payments amounting to MEUR 9.1, corresponding to 0.01% of the balance sheet, which under IFRS 16 potentially should be recognised in the balance sheet.

The standard is effective for annual periods beginning on or after 1 January 2019, and earlier application is permitted.

NOTE 32 - SUBSEQUENT EVENTS

On 3 April 2017, the Group closed its voluntary public takeover offer for Braas Monier Building Group S.A. (Braas Monier) by acquiring approximately 94.5% of the shares. Subsequently, additional Braas Monier shares have been acquired, where after the Group holds 100% of the share capital and voting rights. The acquisition is financed through equity investments from the company's parent company, which were funded by the ultimate parent; Standard Industries Inc.

Braas Monier is a leading manufacturer and supplier of pitched roof products in Europe, parts of Asia and South Africa. As of 31 December 2016, Braas Monier Building Group S.A. had operations in 36 countries and employed almost 8,000 people.

The acquisition has no effect on our financial position at the balance sheet date. Furthermore, the acquisition has not changed the accounting estimates, judgments or assumptions applied by management in the preparation of the consolidated financial statements of the Group.

On 31 May 2017 the DCC rendered a decision and decided that Icopal Danmark ApS engaged in anti-competitive conduct. For further description reference is made to note 28 Commitments and contingent liabilities.

Apart from the above, we are not aware of subsequent events after 31 December 2016, which would have a material impact on our financial position.

Financial Statements of Parent Company, BMI Group Holdings UK Limited

FINANCIAL STATEMENTS OF PARENT COMPANY
INCOME STATEMENT
3 FEBRUARY - 31 DECEMBER

GBP THOUSAND	NOTE	2016
Other external expenses	3,4	40
OPERATING LOSS		
Financial income	5	2
Financial expenses	5	90
LOSS BEFORE TAX		(128)
Tax on profit	6	-
LOSS FOR THE YEAR		(128)

FINANCIAL STATEMENTS OF PARENT COMPANY
STATEMENT OF COMPREHENSIVE INCOME
3 FEBRUARY - 31 DECEMBER

GBP THOUSAND	NOTE	2016
Loss for the year		(128)
Other comprehensive income after tax		0
TOTAL COMPREHENSIVE INCOME		(128)

FINANCIAL STATEMENTS OF PARENT COMPANY
BALANCE SHEET
3 FEBRUARY - 31 DECEMBER

GBP THOUSAND	NOTE	2016
ASSETS		
NON-CURRENT ASSETS		
Investments in subsidiaries	7	311,854
TOTAL NON-CURRENT ASSETS		311,854
CURRENT ASSETS		
Receivables from related parties		456
Cash and cash equivalents		456
TOTAL CURRENT ASSETS		912
TOTAL ASSETS		312,766
EQUITY AND LIABILITIES		
EQUITY		
Share capital	8	-
Reserves		311,103
Retained earnings		283
TOTAL EQUITY		311,386
CURRENT LIABILITIES		
Payables to related parties	12	1,340
Trade payable		40
TOTAL CURRENT LIABILITIES		1,380
TOTAL LIABILITIES		1,380
TOTAL EQUITY AND LIABILITIES		312,766

FINANCIAL STATEMENTS OF PARENT COMPANY
STATEMENT OF CASH FLOWS
3 FEBRUARY - 31 DECEMBER

GBP THOUSAND	NOTE	2016
NET LOSS FOR THE YEAR		(128)
Adjustments to cash flow	9	88
Change in working capital		40
Interest received		2
Change in receivables from related parties		(456)
CASH FLOW FROM OPERATING ACTIVITIES		(454)
Formation of subsidiaries		(311,443)
CASH FLOW FROM INVESTING ACTIVITIES	7	(311,443)
FREE CASH FLOW		(311,897)
Proceeds from borrowings from related parties		1,340
Proceeds from issue of shares		311,103
CASH FLOW FROM FINANCING ACTIVITIES		312,443
NET CASH FLOW FOR THE YEAR		546
Cash and cash equivalents at 3 February		-
Foreign exchange adjustment		(90)
Net cash flow for the year		456
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		456

FINANCIAL STATEMENTS OF PARENT COMPANY
STATEMENT OF CHANGES IN EQUITY

GBP THOUSAND	Shareholder of BMI Group Holdings UK Limited			
	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
Equity at 3 February 2016	-	-	-	-
Total comprehensive income	-	-	-	-
Loss for the year	-	-	(128)	(128)
TOTAL COMPREHENSIVE INCOME	-	-	(128)	(128)
TRANSACTIONS WITH OWNERS				
Shares issued	-	311,103	-	311,103
Capital contribution	-	-	411	411
TOTAL TRANSACTIONS WITH OWNERS	-	311,103	411	311,514
EQUITY AT 31 DECEMBER 2016	-	311,103	283	311,386

Accounting Policies

NOTE 1 – ACCOUNTING POLICIES

GENERAL INFORMATION

For general information about the Parent company, BMI Group Holdings UK Limited, reference is made to Note 1 in the Consolidated financial statements.

The company was originally incorporated on 3 February 2016 as Cortes Holdings UK Limited and has changed its name to BMI Group Holdings UK Limited with effect from 1 June 2017.

The Parent Company's principal activities include financing activities, and the holding of shares in subsidiaries.

BASIS OF PREPARATION

The separate financial statements of BMI Group Holdings UK Limited for the year ended 31 December 2016 were authorised for issue in accordance with resolution of the directors on 9 June 2017. BMI Group Holdings UK Limited is a private holding company domiciled in London in the UK. Information on the ultimate parent and other related party relationships is provided in Note 12.

The separate financial statements of BMI Group Holdings UK Limited has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with additional United Kingdom disclosure requirements.

The separate financial statements have been prepared on a historical cost basis. The separate financial statements are presented in Pound Sterling (GBP) and all values are rounded to the nearest thousand (GBP THOUSAND), except when otherwise indicated.

Financial statements of the Parent Company

The accounting policies of BMI Group Holdings UK Limited are consistent with those applied in the Group (refer to note 1 in the consolidated financial statements) with the following exceptions:

Foreign currency translation adjustments

Foreign currency translation adjustments of balances with subsidiaries, which are neither planned nor likely to be settled in the foreseeable future, and which are therefore considered to form part of the net investment in the subsidiary, are recognised in BMI Group Holdings UK Limited's income statement as financial items.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the Parent's financial statements. The cost of the investments include the fair value of the consideration paid and directly related transaction costs. If an indication of impairment is identified, an impairment test is carried out as described in the accounting policies of the Group. If the carrying amount of investments exceeds the recoverable amount, a corresponding impairment loss is recognised. Impairment losses are recognised in the Parent's income statement as financial items.

Dividends from subsidiaries are recognised in the Parent Company's income statement when the right to receive payment has been established (at the date of declaration). If the dividend exceeds the total comprehensive income of the subsidiary during the period, an impairment test is carried out.

NOTE 2 – SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In connection with the preparation of the separate financial statements, management has made accounting estimates and judgments that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period. Management continuously reassesses these estimates and judgments based on a number of other factors in the given circumstances.

Management assesses that, in respect of the financial reporting for the Parent, no accounting estimates or judgments are made when applying the holding company's accounting policies which are significant to the financial reporting apart from those disclosed in note 2 to the Group financial statements.

FINANCIAL STATEMENTS OF PARENT COMPANY NOTES TO THE INCOME STATEMENT

NOTE 3 - STAFF COSTS

The Parent company does not have any employees or management as it functions solely as a holding company. Hence, no staff costs or other remunerations are paid out by the company. Further, the Directors do not receive any remuneration from the Parent company.

For information on staff costs at the Group level, including management remuneration, refer to note 5 in the consolidated financial statements.

GBP THOUSAND	2016
NOTE 4 - FEES TO AUDITORS	
EY	
Statutory audit	40
TOTAL	40

NOTE 5 - FINANCIAL INCOME/EXPENSES

Interest income on financial assets measured at amortised costs	2
TOTAL FINANCIAL INCOME	2
Foreign exchange losses	90
TOTAL FINANCIAL EXPENSES	90

NOTE 6 - CORPORATION TAX

Current tax on loss before tax

CALCULATION OF EFFECTIVE TAX RATE:

	2016	2016
Loss before tax		(88)
Corporation tax in the United Kingdom	20.0%	(18)
Unrecognised deferred tax assets related to loss for the year	-20.0%	18
EFFECTIVE TAX	0.0%	-

The Parent company did not recognise deferred tax assets of TGBP 18 in respect of tax losses carried forward amounting to TGBP 88.

FINANCIAL STATEMENTS OF PARENT COMPANY **NOTES TO THE BALANCE SHEET AT 31 DECEMBER**

GBP THOUSAND**2016****NOTE 7 - INVESTMENTS IN SUBSIDIARIES**

Cost 3 February 2016

Formation of subsidiaries

311,854

Cost 31 December 2016

311,854

CARRYING AMOUNT 31 DECEMBER 2016**311,854**

Formation of subsidiaries in 2016 primarily relates to the purchase of Icopal Holding Group that delivers high-end products for roofing and provides installation services. The cost of the acquired subsidiaries amounted to MGBP 311.9 including transaction costs of TGBP 6.0.

For an overview of investments in subsidiaries, please refer to note 30 in the consolidated financial statements. For further information about the acquisition of subsidiaries refer to note 26 in the consolidated financial statements.

There were no indications of impairment hence an impairment test has not been performed.

NOTE 8 - EQUITY

For information on the share capital and composition of equity, please refer to note 19 in the consolidated financial statements.

The Parent company's policy for managing capital is an integrated part of the Group's policy. Refer to note 24 in the consolidated financial statements.

GBP THOUSAND**2016****NOTE 9 - ADJUSTMENTS OF CASH FLOW**

Net financial income

(2)

Profit/Loss on foreign exchange

90

TOTAL**88**

FINANCIAL STATEMENTS OF PARENT COMPANY

NOTES TO THE BALANCE SHEET AT 31 DECEMBER

NOTE 10 – FINANCIAL RISKS

The Parent's policy for managing risks is an integral part of the Group policy as described in the consolidated financial statements in note 24.

At 31 December 2016, the parent company's liabilities comprise short-term payables to related companies within the GAF Group amounting to MGBP 1.3. These liabilities are nominated in USD and do not carry any interest.

Accordingly, the Parent company's exposures to financial risks are limited and are primarily related to the company's exposure to liquidity risk from its payables to related parties, as well as financial market risk from movements in foreign exchange rates.

LIQUIDITY RISK

Liquidity risk is the risk of the Parent company being unable to meet its obligations on payables to related parties as they fall due because of inability to realise assets or obtain adequate funding.

Due to the short-term nature of the payables to related parties, these fall due within one year. The Parent company does not hold any external debt on 31 December 2016. Refer to note 24 in the consolidated financial statements for information on the Group's policy for managing liquidity risk.

CURRENCY RISK

The Parent company is exposed to foreign exchange risk on balance sheet items related to translation of receivables from and payables to related companies nominated in USD. Refer to note 24 in the consolidated financial statements for information on the Group's policy for managing currency risk.

CREDIT RISK

The Parent Company has limited external credit risk related to liquid funds. Refer to note 24 in the consolidated financial statements for information on the Group's policy for managing credit risk.

GBP THOUSAND

NOTE 11 – FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

Receivables from related companies

Cash and cash equivalents

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Trade payable

Payables to related companies

FINANCIAL LIABILITIES MEASURED AT AMORTISED COSTS

2016

Carrying
amount

456

456

912

40

1,340

1,380

The carrying amount of the financial assets and financial liabilities is estimated being in line with the fair value due to the short-term nature of the balances.

**FINANCIAL STATEMENTS OF PARENT COMPANY
NOTES TO THE BALANCE SHEET AT 31 DECEMBER****NOTE 12 - RELATED PARTIES**

A description of related parties and related party transactions can be found in Note 29 and 30 of the Consolidated financial statements. In addition, related parties to the Parent company includes subsidiaries.

Receivables from and payables to related companies are presented separately in the balance sheet.

As the Parent company has been established during the year, shares have been issued to the owners for a cash contribution that has been fully paid. Refer to note 19 of the Consolidated financial statements.

Information on Director's remuneration is disclosed in note 3.

No further transactions with directors, owners or other related parties have been carried out during the year.

NOTE 13 - SUBSEQUENT EVENTS

Reference is made to note 31 in the Consolidated financial statements with respect to the Group's acquisition of Braas Monier Building Group S.A. on 3 April 2017 which was acquired through a wholly owned subsidiary of the Parent. The acquisition has no direct impact on the Parent company's financial statements.

No material events that may have a significant influence on the assessment of the financial statements have taken place after 31 December 2016.

NOTE 14 - STANDARDS ISSUED BUT NOT YET EFFECTIVE

Reference is made to note 31 in the Consolidated financial statements.

None of the described new accounting standards and interpretations are expected to have a significant effect on the Parent Company financial statements.