Samba Feeder A/S

Malmøgade 3, 1, 2100 København Ø

CVR no. 31 27 80 07

Annual report 2015/16

Approved at the Company's annual general meeting on 28 February 2017

Chairman:

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Niels Worning

Building a better
working world

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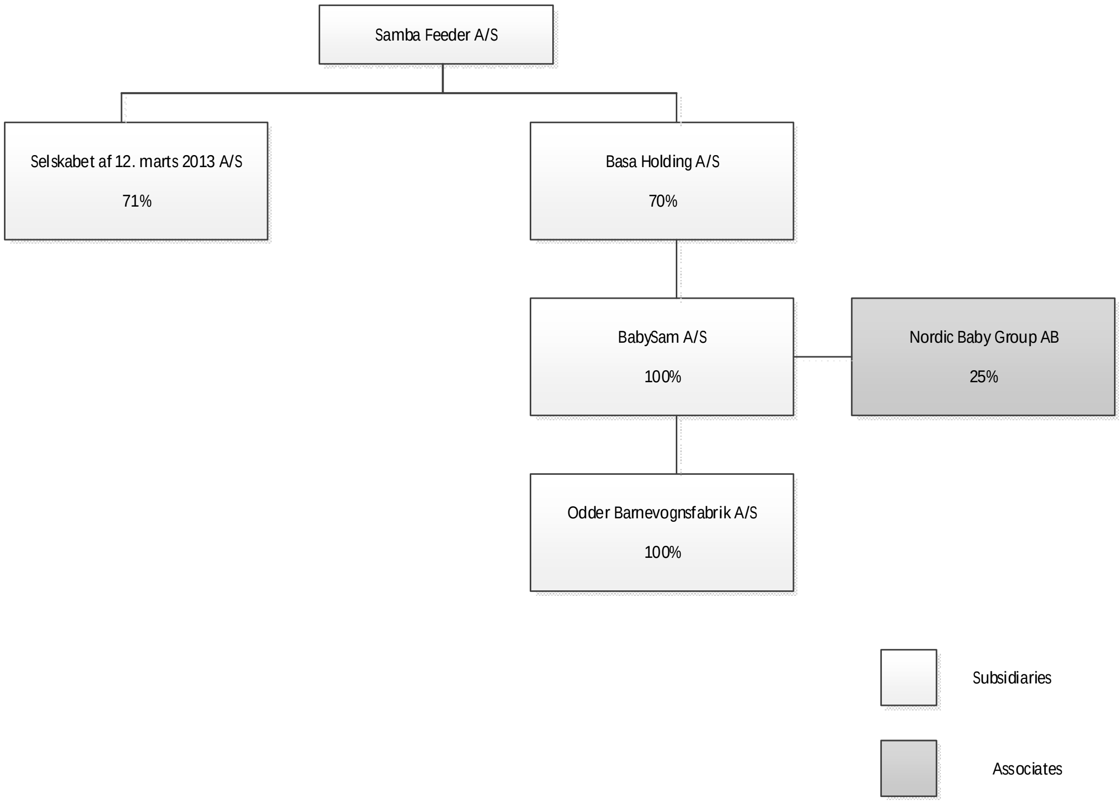
Management's review

Company details

Name	Samba Feeder A/S
Address, zip code, city	Malmøgade 3, DK-2100 Copenhagen Ø
CVR no.	31 27 80 07
Established	28 February 2008
Registered office	Copenhagen
Financial year	1 October – 30 September
Board of Directors	Jan Johan Kühl, Chairman Niels-Christian Worning Karl Tommy Wikström Johan Gustaf Olof Bjurström
Executive Board	Niels-Christian Worning
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, DK-2000 Frederiksberg

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
Key figures					
Revenue	439,380	386,755	365,827	379,491	386,190
Gross profit	113,333	94,765	87,016	71,339	80,059
EBITDA	16,743	4,498	-1,354	-19,283	-19,285
Normalised EBITDA	22,064	6,199	422	-12,183	-5,229
Operating profit/loss	10,364	-1,346	-7,247	-26,939	-390,376
Profit/loss from financial income and expenses	-181	-371	-74	34,428	-18,407
Profit/loss for the year	17,552	2,243	-5,411	8,583	-295,512
Non-current assets	43,406	34,665	37,624	38,083	43,756
Current assets	161,514	132,566	114,158	124,619	143,218
Total assets	204,920	167,231	151,782	162,702	186,974
Share capital	2,890	2,890	2,890	2,890	2,708
Equity	75,373	59,057	56,814	62,367	-80,076
Provisions	175	175	275	225	225
Non-current liabilities other than provisions	2,559	2,900	3,216	3,529	3,836
Current liabilities other than provisions	94,651	81,958	69,310	72,328	262,989
Cash flows from operating activities	28,677	14,776	8,064	-19,781	-16,144
Cash flows from investing activities	-15,122	-2,693	-5.413	-1,224	-6,053
Portion relating to non-current assets	-9,503	-2,384	-4,259	-530	-2,817
Cash flows from financing activities	358	-310	-348	17,942	-284
Total cash flows	13,913	11,773	2,303	-3,063	-22,481
Financial ratios					
Operating margin	2.4%	-0.4%	-2.0%	-6.8%	-101.1%
Gross margin	25.8%	24.5%	23.8%	18.8%	20.7%
Solvency ratio	36.8%	35.3%	37.4%	38.3%	-42.8%
Return on equity	26.1%	3.9%	-12.5%	-96.9%	-436.6%
Average number of full-time employees	259	257	278	281	300

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Management commentary

The Group’s core activities

The principal activity of the Company is to own the shares in BaSa Holding A/S, which is the parent company of BabySam A/S.

BabySam A/S operates stores that sell and rent out baby equipment as well as products for both mothers and children. In addition, BabySam operates a web shop, www.babysam.dk, which sells baby equipment to accommodate customers’ need to be able to shop at all hours.

BabySam imports a considerable share of its range of products for babies and also owns Odder Barnevognsfabrik, which produces prams for the Danish market. Some of BabySam’s revenue is generated by sales to municipal and private day care institutions in Denmark.

In addition, the Group is co-owner of Nordic Baby Group AB.

Ownership structure

The shares in Samba Feeder A/S are held by P-BS 2008 A/S (50 %) and Golden Eye A/S (50 %).

History

In 2008, BabySam’s stores were brought under one ownership through the acquisition by Polaris and AAC – an ownership structure that is still intact.

Today, the chain is run by 29 physical stores across Denmark and an online shop.

BabySam also owns Odder Barnevognsfabrik A/S.

BabySam conducts professional sales (B2B) and is one of the five largest suppliers to institutions and the day care sector in Denmark.

BabySam’s products

BabySam offers a market-leading product range that includes leading international and Danish brands and a strong portfolio of own brands such as Odder, My Baby, BeKids and Scandia.

BabySam’s employees

One of the keys to the success of BabySam is our customers’ trust in the advice and service of our employees. Training and regular customer satisfaction surveys are part of BabySam’s DNA.

Our customers’ trust is a true reflection of our employees’ dedicated efforts and interest in our customers as well as their professional standard due to their insight in BabySam’s products and services.

The skills and dedication of our employees are rewarding for them and for BabySam, and most of our store managers hold their current position as a result of inhouse training and promotions. A succession that ensures continuity, stability and a high level of professional expertise and advice, to the benefit of our customers.

BabySam’s management and core functions are based in Rødovre.

At the end of the financial year, the Group had 259 employees compared to 257 one year earlier.

Management's review

Management commentary

Policy concerning the underrepresented gender

Candidates for the Board of Directors of Samba Feeder A/S are assessed based on identical criteria – regardless of their gender. Candidates are first and foremost selected based on their qualifications, and the Board of Directors aims to make sure that both women and men who come forward as board candidates have equal opportunities. The 2018 target set for the gender composition of the Board of Directors is still 50/50.

All members of the Board of Directors are men. There has been no change in the Board of Directors during the year.

Being a holding company, the Company employs no day-to-day staff in addition to the Executive Board required by law. Accordingly, no staff policies, etc. have been laid down. If at some point in time the Company hires staff, staff policies will be laid down, including policies for management diversity, relevant activities will be carried out, and the results of these measures will be reported.

Highlights of the year

Due to higher sales in BabySam's stores and web shop, consolidated revenue grew by 14% to DKK 439.4 million relative to last year. The positive business performance resulted in more than a tripling of normalised EBITDA to DKK 22.1 million.

BabySam has increased its market share, and the growth momentum stems from a significantly increased level of activity in the stores, combined with online sales initiatives. Click & Collect, or pick-up at a physical store of products bought online, therefore also saw a steep increase in the year under review.

Recent years' restructuring of the Group's stores has resulted in the relocation and modernisation of a number of stores, which has contributed to the positive trend. Going forward, BabySam will continue to focus on expansion in Copenhagen and Aarhus as well as the main shopping centres in Denmark.

BabySam continued to demonstrate growth in sales to professional customers with particular focus on municipalities and the day care sector. Here, BabySam offers special Odder designs, bicycles, furniture and a selection of baby clothes and toys. After a number of years of modest growth, this market developed positively in the financial year. Accounting for a considerable share of this growth, BabySam realised 14% growth in the business area. Thanks to BabySam's active interaction with Danish municipalities regarding a further development of the tailored product range, this growth trend is expected to continue.

BabySam's web shop continued to grow in the year, providing – in combination with the store concept – a more integrated shopping experience. The development of the web shop is a great helping hand to families with small children and grandparents who do not have time to both look after children and go shopping, or who just prefer to shop via their PC, tablet or cell phone instead of being dependent on opening hours. Like the increase in sales in BabySam's stores, progress in the online area is attributable to an improved product range and a high level of activity. The technical development of our web shop also improved significantly in the financial year. Our customers especially favoured the development of the web shop on mobile devices, and surged by 72% increase in the reporting period.

In the past year, BabySam's management focused in particular on fine-tuning the strategy for the future, continuing the positive commercial trend, optimising the store structure and strengthening management.

- BabySam has adapted and set its strategic direction based on a full-toned omni-channel strategy aimed to ensure that the customer remains in focus – both online and in our stores. BabySam's new omni-channel strategy is a continuation of the online presence that was created years back, which – combined with a strong store culture that provides professional advice and service – will continue to strengthen BabySam's position.

Management's review

Management commentary

- BabySam plans to initiate an extensive technological upgrading to support the omni-channel strategy from headquarters to the customer. The technology programme will span the next two years. The process to restructure the store concept has been extensive, including relocation of three stores in Jutland to more up-to-date premises, opening of stores in Field's, Herlev and Østerbro in Copenhagen and relocation to temporary premises in Vejle until a new store is opened there later in 2017. The now completed restructuring process and the continuing efficiency enhancement efforts have contributed to reducing the Group's level of costs as well as the overall improvement of the year's results of operations.
- The opening of a store in Østerbro in Copenhagen celebrated a new city concept in BabySam. After the successful launch of this type of store, the opening was followed up by a completely new city concept in Frederiksberg in December 2016, which is to perform the functions of a "lab" testing the chain's new concepts for the BabySam store of the future.
- In close cooperation with a number of suppliers, BabySam has improved its product range and presented a vast number of new items, exciting events and good bargains. The fruitful cooperation is going to continue in the years to come.
- BabySam's comprehensive catalogue is still a very attractive tool for families with small children and is increasingly being used in combination with BabySam's website. Together, these two unique tools give consumers a good overview of the wealth of articles and bargains offered by BabySam.
- A new CFO was appointed in the year under review, and a number of positions at commercial management level were further strengthened.

Financial review

After many years of falling volume and decreasing value in the Danish market for baby equipment, the trend has reversed in recent years with regard to volume. The increase in the number of new-born babies, combined with higher consumer optimism, has resulted in higher volume and consumer spending. At the same time, foreign web shops in particular have resulted in keener competition and pricing pressure.

Despite an upward pressure on price, BabySam has realised significant growth, and for specific product lines offered by BabySam, market trends have strengthened even further, positively affecting BabySam's overall business.

Developments in the year

In the year under review, consolidated revenue came to DKK 439.4 million, and EBITDA totalled DKK 16.8 million. A number of extraordinary activities in the year related to a strengthening of BabySam's management and store structure implied non-recurrent costs of DKK 5.3 million. Therefore, normalised EBITDA totalled DKK 22.1 million, which is up DKK 15.9 million on last year.

Revenue growth in FY 2015/16 amounted to 14%. Based on the price trends in the retail market in general and the developments in the number of new-born babies in particular, estimates are that BabySam also won considerable market shares in the past year.

The growth realised in the year was primarily organic, but the opening of three new stores in Field's, Østerbro in Copenhagen and Herlev (the latter replacing the store in Brønshøj) contributed to the positive development.

Consolidated earnings measured in terms of EBITDA increased considerably in the year compared to last year due to revenue growth, improved campaign management and the reduction of the Group's level of costs as a result of the structural changes that have been implemented.

Also, the Group's working capital has improved considerably due to targeted efforts and constructive cooperation with a number of strategic business partners as well as the focused effort to ensure an attractive range of products.

Management's review

Management commentary

Developments in sales and earnings exceeded expectations previously expressed for FY 2015/16.

At year-end, the Group's total assets amounted to DKK 204.9 million, and equity totalled DKK 75.4 million.

Events after the balance sheet date

On 8 December 2016, BabySam opened a new store on Falkoner Allé in Frederiksberg. Agreements to take over other leases in the City of Copenhagen have also been entered into.

Outlook

The number of new-born babies is expected to rise in the coming year as a result of the demographic trend.

The changes in BabySam's store structure, employees' efforts and a professionalisation of the commercial processes at our headquarters are expected to bring in more customers and, hence, sales growth.

The changed store structure and continual improvement of BabySam's web platform are going to create an actual omni-channel profile where BabySam both online and in the stores will give the customers one, overall experience to the benefit of both the consumers and BabySam's suppliers.

In the coming year, cooperation with BabySam's suppliers will be focused on close partnerships, more new and unique products and improved trading terms with a number of key suppliers.

Overall, the Group expects revenue and earnings to exceed the level attained in FY 2015/16.

Corporate information

Corporate governance

Polaris Private Equity is represented on the Board of Directors by Niels Christian Worning and Johan Kühl, and AAC Capital is represented by Karl Tommy Wikström and Johan Gustaf Olof Bjurström.

The Board of Directors of BabySam A/S met six times in the financial year, including a two-day strategy seminar and one telephone conference. Further, a number of meetings were held to discuss specific topics. The percentage of women on the Board of Directors of BabySam A/S is still 17%.

Group management prepares monthly financial reports and regularly follows up on any identified deviations from either expectations or budgets. One or two inventory counts are performed in all stores every year to ascertain that inventory values have been assessed correctly. Furthermore, local counts are performed whenever deemed necessary.

Periodic cash flow budgets based on actual expectations as to sales and estimated movements in inventories and payables are prepared for liquidity management purposes.

Developments in sales and gross margin are monitored on a weekly basis.

Audit committee

In light of BabySam's modest size and complexity, no Audit Committee has been established.

Whistleblowing

The members of the Board of Directors have discussed the need to introduce a whistle-blower scheme, but find that there is no such need at present.

Management's review

Management commentary

Financial risks

At 30 September 2016, the Group's cash totalled DKK 53.3 million, including an amount of DKK 4.8 million that has been placed as collateral for various guarantees relating to leases.

The Group's debt to mortgage credit institutions amounts to a mere DKK 2.6 million.

Consequently, the Group is not exposed to any direct risk in the event of an increase in the lending rate, but is, however, affected by the impact which interest rate variations may have on customer buying behaviour.

On this basis, the Group has the necessary cash funds to continue as a going concern and to develop the individual business areas. Some of the continued improved cash funds will be invested in optimising the technological infrastructure and commercial platform to support the omni-channel strategy. The store structure will still be in focus, and BabySam will relocate stores and open new stores as required to achieve improved earnings in the locations concerned.

Statutory corporate social responsibility report

Samba Feeder A/S has not laid down any policies for social responsibility, including human rights, environmental and reduced climate impacts of its activities.

The subsidiary, BabySam A/S, has prepared CSR policies, etc. As a responsible business, BabySam has stipulated a number of requirements which suppliers must meet in order to supply goods to BabySam. BabySam has introduced intensified control of own products, which means that they must be certified by a recognised documentation firm as well.

For further information on BabySam's statutory 2016 CSR report, cf. §99a of the Danish Financial Statements Act, please see www.babysam.dk/politik2015-16.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Samba Feeder A/S for the financial year 1 October 2015 – 30 September 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 30 September 2016 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 October 2015 – 30 September 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 28 February 2017
Executive Board:

Niels-Christian Worning
CEO

Board of Directors:

Jan Johan Kühl
Chairman

Niels-Christian Worning

Karl Tommy Wikström

Johan Gustaf Olof Bjurström

Independent auditors' report

To the shareholders of Samba Feeder A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Samba Feeder A/S for the financial year 1 October 2015 – 30 September 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 30 September 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 October 2015 – 30 September 2016 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 28 February 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Christiansen	Kim Thomsen
State Authorised	State Authorised
Public Accountant	Public Accountant

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Income statement

Note	DKK'000	Consolidated 2015/16	Consolidated 2014/15	Parent company 2015/16	Parent company 2014/15
2	Revenue	439,380	386,755	0	0
	Cost of goods sold	-251,136	-221,410	0	0
	Other operating income	69	212	0	0
	External costs	-74,980	-70,792	-48	-332
	Gross profit/loss	113,333	94,765	-48	-332
3	Staff costs	-96,590	-90,267	0	0
	Amortisation, depreciation and impairment losses	-6,379	-5,844	0	0
	Operating profit/loss	10,364	-1,346	-48	-332
	Income from investments in subsidiaries and associates	-2	-20	17,495	2,507
4	Financial income	279	262	0	0
5	Financial expenses	-460	-633	0	0
	Profit/loss before tax	10,181	-1,737	17,447	2,175
6	Tax on profit/loss for the year	14,481	4,954	105	68
	Profit/loss for the year before non-controlling interests	24,662	3,217	17,552	2,243
	Non-controlling interests' share of subsidiaries	-7,110	-974	0	0
	Profit/loss for the year	17,552	2,243	17,552	2,243
	Proposed profit appropriation				
	Retained earnings			17,552	2,243

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Non-current assets				
7	Intangible assets				
	Goodwill	912	833	0	0
	Rights and software	4,859	4,733	0	0
	Development projects completed	478	630	0	0
	Development projects in progress	383	139	0	0
		6,632	6,335	0	0
8	Property, plant and equipment				
	Land and buildings	9,537	9,813	0	0
	Plant and machinery	290	89	0	0
	Fixtures and fittings, tools and equipment	12,770	9,817	0	0
	Leasehold improvements	5,544	2,987	0	0
		28,141	22,706	0	0
	Investments				
9	Investments in subsidiaries	0	0	73,548	57,289
10	Investments in associates	26	28	0	0
	Other receivables	8,607	5,596	0	0
		8,633	5,624	73,548	57,289
	Total non-current assets	43,406	34,665	73,548	57,289
	Current assets				
	Inventories				
	Raw materials and consumables	2,126	1,734	0	0
	Work in progress	1,529	1,645	0	0
	Finished goods and goods for resale	74,502	73,408	0	0
	Prepayments for goods	787	1,369	0	0
		78,944	78,156	0	0
	Receivables				
	Trade receivables	6,841	6,123	0	0
	Amounts owed by group enterprises	0	0	215	107
	Amounts owed by associates	25	25	0	0
	Tax receivables	0	0	65	68
	Other receivables	1,549	1,861	0	0
	Prepayments	1,223	2,096	0	0
11	Deferred tax assets	19,668	4,954	0	0
		29,306	15,059	280	175
16	Cash at bank and in hand	53,264	39,351	1,592	1,640
	Total current assets	161,514	132,566	1,872	1,815
	TOTAL ASSETS	204,920	167,231	75,420	59,104

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Balance sheet

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	EQUITY AND LIABILITIES				
12	Equity				
	Share capital	2,890	2,890	2,890	2,890
	Retained earnings	72,483	56,167	72,483	56,167
	Total equity	75,373	59,057	75,373	59,057
13	Non-controlling interests	32,162	23,141	0	0
	Provisions				
	Other provisions	175	175	0	0
	Total provisions	175	175	0	0
	Liabilities other than provisions				
14	Non-current liabilities other than provisions				
	Mortgage loans	2,559	2,900	0	0
		2,559	2,900	0	0
	Current liabilities other than provisions				
	Current portion of non-current liabilities other than provisions	343	319	0	0
	Prepayments received from customers	8,927	7,796	0	0
	Trade payables	58,988	54,399	47	47
	Other payables	26,393	19,444	0	0
		94,651	81,958	47	47
	Total liabilities other than provisions	97,210	84,858	47	47
	TOTAL EQUITY AND LIABILITIES	204,920	167,231	75,420	59,104

1 Accounting policies
15 Contractual obligations and contingencies, etc.
16 Mortgages and collateral
17 Related party disclosures
18 Fee paid to auditors appointed at the annual general meeting

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Statement of changes in equity

	Consolidated		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 October 2014	2,890	53,924	56,814
Transferred, see distribution of loss	0	2,243	2,243
Equity at 1 October 2015	2,890	56,167	59,057
Transferred, see profit appropriation	0	17,552	17,552
Dilution from non-controlling interests in investments	0	-1,236	-1,236
Equity at 30 September 2016	2,890	72,483	75,373

	Parent company		
DKK'000	Share capital	Retained earnings	Total
Equity at 1 October 2014	2,890	53,924	56,814
Transferred, see distribution of loss	0	2,243	2,243
Equity at 1 October 2015	2,890	56,167	59,057
Transferred, see profit appropriation	0	17,552	17,552
Dilution from non-controlling interests in investments	0	-1,236	-1,236
Equity at 30 September 2016	2,890	72,483	75,373

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Cash flow statement

Note	DKK'000	Consolidated 2015/16	2014/15
	Revenue	439,380	386,755
	Costs	-422,706	-382,469
	Other operating income	69	212
	Cash flows from operating activities before changes in working capital	16,743	4,498
19	Changes in working capital	12,348	10,961
20	Adjustment for non-cash items	-233	-312
	Cash generated from operating activities	28,858	15,147
	Interest received	279	262
	Interest paid	-460	-633
	Cash generated from operations	28,677	14,776
	Cash flows from operating activities	28,677	14,776
	Acquisition of intangible assets and property, plant and equipment	-12,125	-4,537
	Disposal of intangible assets and property, plant and equipment	14	324
	Change in investment	-3,011	1,520
	Cash flows from investing activities	-15,122	-2,693
	External financing:		
	Repayment of debt to credit institutions	-317	-310
	Capital increase, including proceeds from issue of warrants	675	0
	Cash flows from financing activities	358	-310
	Net cash flows from operating, investing and financing activities	13,913	11,773
	Cash and cash equivalents at 1 October	39,351	27,578
	Cash and cash equivalents at 31 September	53,264	39,351

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies

The annual report of Samba Feeder A/S for 2015/16 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Samba Feeder A/S, and subsidiaries in which Samba Feeder A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, see the group chart.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains and losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably and is expected to be received.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other operating income and expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entities' core activities, including gains or losses on the disposal of intangible assets and property, plant and equipment.

Other external costs

Other external expenses include the year's expenses relating to the entity's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the Group's employees. The item is net of refunds made by public authorities.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses comprise depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment.

The cost for intangible assets is amortised over the expected useful life.

The estimated useful lives for intangible assets are as follows:

Goodwill	5 years
Rights and software	7 years
Development projects	5 years

The amortisation period for acquired IP rights is 7 years. The investment horizon of the Group's IT system, including software, is 7 years, and an amortisation period of 5 years is therefore not considered fair.

Property, plant and equipment are depreciated on a straight-line basis over the expected useful life of each individual asset. The depreciation basis is the cost and less expected residual value.

The expected useful lives of the assets are as follows:

Buildings	50 years
Plant and machinery	5 years
Leasehold improvements	10 years
Fixtures and fittings, tools and equipment	3-10 years

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries and associates is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the parent company income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses as well as surcharges and refunds under the on-account tax scheme, etc.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed companies entitled to a tax refund are, as a minimum, reimbursed by the management company according to the current rates applicable to interest allowances, and jointly taxed companies having paid too little tax pay, as a maximum, a surcharge according to the current rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Intangible assets include goodwill, rights and software as well as development projects.

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

Development costs comprise costs, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Gains or losses on the sale of intangible assets are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are determined as the difference between the selling price less selling costs and the carrying amount at the time of sale.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery and fixtures and fittings, tools and equipment and leasehold improvements.

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Gains or losses arising from the sale of items of property, plant and equipment are recognised in the income statement under 'Other operating income' or 'Other operating expenses', respectively. Gains and losses are determined as the difference between the selling price less selling costs and the carrying amount at the time of sale.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of Samba Feeder A/S are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied; see Consolidated financial statements above.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net cash flows from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

Leases in respect of which the entity does not bear all significant risks and enjoy all significant benefits associated with the title to the assets are considered operating leases. Payments under operating leases are recognised in the income statement over the term of the lease.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and deposits with banks.

Equity - dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Provisions

Provisions comprise anticipated costs related to warranties.

Warranties comprise obligations to make good any defects within the warranty period of one to five years. Provisions for warranties are measured at net realisable value and recognised based on past experience.

The provision is recognised in costs of goods sold.

Corporation tax and deferred tax

Samba Feeder A/S is the administrative company for the joint taxation with group companies.

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. Joint taxation contribution receivable and payable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable", respectively.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with 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 crystallise as current tax.

Prepayments received from customers

Prepayments received from customers comprise deposits, prepayments and payable gift vouchers.

Prepayments received from customers are recognised at cost. Commitments relating to gift vouchers are recognised in revenue as they are used or expire.

Liabilities

Liabilities are measured at net realisable value

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

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

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

2 Revenue

Information regarding the distribution of revenue on geographical segments and business segments are not included, cf. Section 96 (1) of the Danish Financial Statements Act, as the Group's revenue is generated in full in Denmark and within the same segment (sale and rent of baby equipment and sale of products for mother and child).

		Consolidated		Parent company	
	DKK'000	2015/16	2014/15	2015/16	2014/15
3	Staff costs				
	Wages and salaries	87,400	81,442	0	0
	Pensions	6,549	6,251	0	0
	Other social security costs	2,588	2,363	0	0
	Other staff expenses	53	211	0	0
		96,590	90,267	0	0
	Average number of full-time employees	259	257	0	0

The Executive Board and the Board of Directors have not received any remuneration (2014/15 : DKK 0).

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

DKK'000	Consolidated 2015/16	Consolidated 2014/15	Parent company 2015/16	Parent company 2014/15
4 Financial income				
Foreign exchange gains	170	262	0	0
Other financial income	109	0	0	0
	279	262	0	0
5 Financial expenses				
Mortgage interests	115	128	0	0
Foreign exchange losses	226	281	0	0
Other interest expense	119	224	0	0
	460	633	0	0
6 Tax on the profit/loss for the year				
Current tax for the year	0	0	65	68
Adjustment of deferred tax	-14,713	4,954	0	0
Adjustment of current taxes prior years	232	0	40	0
	-14,481	4,954	105	68

7 Intangible assets

	Consolidated				
DKK'000	Goodwill	Rights and software	Development projects completed	Development in progress	Total
Cost at 1 October 2015	560,464	19,633	2,381	139	582,617
Additions during the year	300	2,013	64	245	2,622
Cost at 30 September 2016	560,764	21,646	2,445	384	585,239
Impairment losses and amortisation at 1 October 2015	559,631	14,900	1,751	0	576,282
Amortisation	221	1,887	217	0	2,325
Impairment losses and amortisation at 30 September 2016	559,852	16,787	1,968	0	578,607
Carrying amount at 30 September 2016	912	4,859	477	384	6,632

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
	Consolidated				
Cost at 1 October 2015	16,353	6,856	58,551	14,186	95,946
Additions during the year	7	282	5,900	3,314	9,503
Disposals during the year	0	-12	0	0	-12
Cost at 30 September 2016	16,360	7,126	64,451	17,500	105,437
Impairment losses and depreciation at 1 October 2015	6,540	6,767	48,734	11,199	73,240
Depreciation	283	70	2,947	757	4,057
Disposals	0	-1	0	0	-1
Impairment losses and depreciation at 30 September 2016	6,823	6,836	51,681	11,956	77,296
Carrying amount at 30 September 2016	9,813	290	12,770	5,544	28,141

DKK'000	Parent company 2015/16	Parent company 2014/15
9 Investments in subsidiaries		
Cost at 1 October	302,450	302,450
Cost at 30 September	302,450	302,450
Value adjustments at 1 October	-245,161	-247,668
Profit for the year in subsidiaries	17,495	2,507
Dilution due to changes in ownership interests in group enterprise	-1,236	0
Value adjustments at 30 September	-228,902	-245,161
Carrying amount at 30 September	73,548	57,289

Name and registered office	Ownership	Share capital	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000	DKK'000
Selskabet af 12. marts 2013 A/S, Co. BabySam A/S, Rødovre	71.3%	4,324	246	-29	-2,059
BaSa Holding A/S, Co. BabySam A/S, Rødovre	70.2%	2,593	107,698	24,634	75,607
		6,917	107,944	24,605	73,548

In the carrying amount of Selskabet af 12. marts 2013 A/S, internal profit on the sale of BabySam A/S to BaSa Holding A/S, etc. has been adjusted by DKK 2,239 thousand.

Furthermore, elimination of unrealised internal profit on inventory has been recognised.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

10 Investments in associates

DKK'000	Consolidated 2015/16	Consolidated 2014/15
Cost at 1 October	26	26
Cost at 30 September	26	26
Value adjustment at 1 October	2	22
Loss for the year in associates	-2	-20
Value adjustment at 30 September	0	2
Carrying amount at 30 September	26	28

Name and registered office	Ownership	Share capital	Equity	Carrying amount
		DKK'000	DKK'000	DKK'000
Nordic Baby Group AB, Sweden	18%	104	102	26

DKK'000	Consolidated 2015/16	Consolidated 2014/15	Parent company 2014/15	Parent company 2014/15
11 Deferred tax				
Deferred tax at 1 October	4,954	0	0	0
Adjustment of deferred tax	14,714	4,954	0	0
Deferred tax at 30 September	19,668	4,954	0	0
Deferred tax relates to:				
Intangible assets	11,089	12,496	0	0
Property, plant and equipment	7,755	6,887	0	0
Current assets	404	321	0	0
Tax loss carry forward	18,444	19,120	689	743
Write-down to net realizable value	-18,024	-33,870	-689	-743
	19,668	4,954	0	0

At 30 September 2016, the Group has recognised tax assets of DKK 19,668 thousand. Based on budgets and forecasts until 2018/19, Management has assessed that the recognised deferred tax assets can be offset against tax on future earnings.

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

12 Share capital

The share capital comprises 2,890,000 shares of DKK 1.00 each. No shares carry special rights.

The recent 5-years changes in the share capital are specified as follows:

	Parent company				
DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
Share capital at 1 October	2,890	2,890	2,890	2,708	2,708
Capital increase	0	0	0	182	0
Share capital at 30 September	2,890	2,890	2,890	2,890	2,708

13 Non-controlling interests

	Consolidated	
DKK'000	2015/16	2014/15
Non-controlling interests at 1 October	23,141	22,167
Share of result in investments	7,110	974
Dilution due to changes in ownership interests in group enterprise	1,236	0
Capital increase in group enterprise	650	0
Proceeds from issued warrants in group enterprises	25	0
Non-controlling interests at 30 September	32,162	23,141

Liquidation and distribution preference

In case of liquidation of BaSa Holding A/S, a capital reduction or another type of distribution, the A shareholders in BaSa Holding A/S are entitled to a priority dividend distribution of up to a predetermined amount.

In addition to the priority distribution, all distributions must be proportionate between the A and the B shareholders in BaSa Holding A/S based on a mutual agreement.

14 Non-current liabilities other than provisions

	Consolidated				
DKK'000	Total liabilities 1/10 2015	Total liabilities 30/9 2016	Repayment next year	Non-current portion	Outstanding debt after 5 years
Debt to credit institutions	3,213	2,902	343	2,559	1,163

15 Contractual obligations and contingencies, etc.

The parent company is jointly taxed with the Danish subsidiaries. As the administrative company, together with the subsidiaries, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes in the joint taxation unit as of and for the income year 2013.

Other contractual obligations

	Consolidated		Parent company	
DKK'000	2015/16	2014/15	2015/16	2014/15
Rent and lease obligations	77,968	47,739	0	0

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

15 Contractual obligations and contingencies, etc. (continued)

Rent and lease obligations include rent obligations totalling DKK 76,394 thousand in non-cancellable tenancy agreements with remaining contract periods of up to 6 years. Furthermore, obligations relating to operating lease commitments for cars total DKK 1,574 thousand with remaining contract periods of up to 3 years.

Contingent asset

The Group has an unrecognised deferred tax asset of DKK 18,024 thousand (2014/15: DKK 33,870 thousand), which relates to tax losses.

The parent company has an unrecognised deferred tax asset of DKK 689 thousand (2014/15: DKK 743 thousand), which relates to tax losses.

16 Mortgages and collateral

Land and buildings with a carrying amount of DKK 9,537 thousand at 30 September 2016 have been provided as collateral for mortgages and bank loans of DKK 2,902 thousand.

Bank guarantees totalling DKK 4,265 thousand (2014/15: DKK 4,788 thousand) have been provided as collateral for rent liabilities, etc.

At 30 September 2016, cash at bank and in hand of DKK 5,150 thousand (2014/15: 5,150 thousand) was provided as collateral for bank guarantees.

17 Related party disclosures

Samba Feeder A/S' related parties comprise the following:

Parties exercising control

P-BS 2008 A/S, Copenhagen, which holds 50% of the share capital
Golden Eye A/S, Copenhagen, which holds 50% of the share capital.

Other related parties that the Company has had transactions with

Selskabet af 12. marts 2013 A/S
BaSa Holding A/S
BabySam A/S
Odder Barnevognsfabrik A/S

18 Fees paid to auditors appointed at the annual general meeting

	Consolidated		Parent company	
DKK'000	2015/16	2014/15	2015/16	2014/15
Fee regarding statutory audit	263	257	22	20
Tax assistance	29	183	6	158
Other assistance	39	41	11	13
	331	481	39	191

Consolidated financial statements and parent company financial statements for the period 1 October – 30 September

Notes to the financial statements

DKK'000	Consolidated 2015/16	Consolidated 2014/15
19 Changes in working capital		
Change in inventories	-788	-1,901
Change in receivables	467	220
Change in prepayments and trade and other payables	12,669	12,642
	12,348	10,961

DKK'000	Consolidated 2015/16	Consolidated 2014/15
20 Adjustment for non-cash items		
Adjustment of current taxes prior years	-233	-100
Change in provisions	0	-100
Gains/losses on sale of non-current assets	0	-212
	-233	-312