BabySam Group

Annual report 2016/17

CVR no. 35 20 43 69 ◆ Nyholms allé 3, 2610 Rødovre ◆ Basa Holding A/S

Company information

BASA HOLDING A/S

Name	BaSa Holding A/S
Address, postal code, city	Nyholms Allé 3, 1, 2610 Rødovre, Denmark
CVR no.	35 20 43 69
Founded	22 March 2013
Municipality of registered office	Rødovre
Financial year	1 October - 30 September
Website	www.babysam.dk
Tel.:	+45 70 11 30 10

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae, Chairman
Karl Tommy Wikström
Peter Jalsøe
Niels-Christian Worning
Johan Gustaf Olof Bjurström
Jan Johan Kühl

EXECUTIVE BOARD

Kenneth Willenbrack Nørgaard
Mikael Koch Jensen

AUDITORS

Ernst & Young Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
P.O. Box 250
2000 Frederiksberg
Denmark

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Consolidated and parent company financial statements for 2016/17

Letter from Management

BabySam continues positive growth trajectory and rolls out final phase of its omnichannel strategy.

BabySam's growth trend and favourable overall development continued unabated in financial year 2016/17. Generating solid growth in both revenue and profit, we met our financial targets in the past financial year.

Our employees are our most important asset. Day in and day out, they work extremely hard to make sure our stores – our physical stores as well as our webshop – always stand ready to offer the latest product news and the market's premier product range, while at the same time providing excellent service to the high professional standards for which BabySam is renowned. Thanks to their efforts, our customers feel helped, safe and satisfied – and a little more comfortable having become a parent or a grandparent or being the friend of either.

BabySam further expanded its market share in the past year – at a time of modest growth in the number of births and limited overall market growth. In that light, we are very pleased to note that we grew revenue significantly from our stores, from institutional sales and, not least, from our webshop. Overall revenue was up by 9%.

The growth reported by our stores was partially attributable to our increased focus on upgrading the retail network by means of renovation, relocation and the establishment of entirely new stores. The main contributor, however, was our relentless focus on providing the market's premier customer service and advice. All things considered, BabySam enjoys a historically strong market position. Thanks to the roll-out of the final phase of our omnichannel strategy, we expect to further strengthen our competitive position in the coming financial year.

We will continue our digital transformation while remaining focused on our customers: We will customise our dialogue and contact to the individual requirements of each customer and offer even greater flexibility and even more options through our omnichannel strategy.

The final phase of our omnichannel strategy involves substantial investments in innovative technology and IT. We have already introduced a new marketing platform and plan to replace our in-store and ERP systems with new systems that will better support the strategy. By the end of financial year 2017/18, BabySam will be 100% omnichannel-driven with a *single view of customer*. This will give all of our customers the same experience, whether they shop in our stores or online.

Based on demographic developments, we expect the birth rate to continue its upward trend in the years ahead. We are confident that our strategy, substantial investments in digital services, new products and the customer focus of our talented and dedicated employees will combine to strengthen our position even further over the coming years.

We are anticipating growth in both revenue and operating profit in financial year 2017/18.

Kenneth Nørgaard
CEO

BabySam at a glance

HISTORY

Before BabySam became a capital chain, it consisted of a number of independent stores that were typically family-owned and driven by their owners' passion for baby equipment. In 2008, the stores were brought together under the common name of BabySam and, through acquisitions, under joint ownership by Polaris and AAC. This ownership structure remains intact today.

BabySam now consists of 30 stores across Denmark. From our headquarters in Rødovre near Copenhagen, the stores are run as one combined chain. BabySam also has its own webshop, BabySam.dk, which, in addition to an easy and convenient shopping platform, provides customers with information about BabySam, good stories and tips and a location service guiding customers to the nearest BabySam store.

BabySam also owns Odder Barnevognsfabrik. This company has manufactured quality prams for Danish children for more than 90 years, and its products are among the most popular in Denmark. BabySam is the exclusive distributor of the Odder pram brand.

SALES

B2B

◆ **BabySam carries on B2B sales and is among the five leading suppliers to public institutions and the day care sector.**

NUMBER OF STORES

30

◆ **BabySam consists of 30 stores across Denmark.**

NUMBER OF OWN BRANDS

6

◆ **BabySam carries a market-leading product range of leading international and Danish brands and a strong portfolio of own brands, including Odder, Holly's, MyBaby, BeKids and Scandia.**

BabySam at a glance

NUMBER OF EMPLOYEES

270 employees

◆ **At 30 September 2017, we had 270 employees, an increase of 11 compared with the same time last year.**

BABYSAM'S EMPLOYEES

One of the keys to our success is the honest and professional advice we provide, and we are honoured by the trust shown by our customers. We owe this trust entirely to our dedicated employees, their interest in our customers and their high professional standards. Accordingly, training, development and regular customer satisfaction surveys are essential parts of our DNA.

At BabySam we make a point of rewarding our employees for their talent and dedication. Most of our store managers have been recruited through in-house training and promotion programmes. This ensures continuity, stability and a consistently high level of professional expertise and advice. We encourage our employees to grow their skills throughout their career with us, and we prefer to recruit from within our own ranks when filling executive positions. In 2016/17, we filled almost half of our executive vacancies with in-house candidates. We are proud of this succession and expect to be able to continue it.

BabySam's Management and core functions are based in the Copenhagen suburb of Rødovre.

REPORT ON GENDER COMPOSITION OF MANAGEMENT

The Board of Directors is chaired by a woman, while the other five members are men. Candidates for the Board of Directors are assessed based on the same criteria – regardless of their gender.

Candidates are first and foremost selected based on their qualifications, and the Board of Directors is committed to providing women and men seeking election with equal opportunities. The company originally pursued a 50/50 gender composition in 2018. However, for the sake of ensuring Board continuity, this target has been suspended for the short term. While this means that the target will not be met in 2018, we will continue to work towards gender equality and expect to meet our target in 2020.

Being a holding company, BaSa Holding A/S has no layers of management other than the Executive Board and the Board of Directors. The day-to-day management consists of the Executive Board, key function managers and store managers. According to company policy, all executive positions are to be filled by the best-qualified candidate. At the same time, efforts are being made to improve gender equality at executive level and, as far as possible, at least one of each gender will be among the three last candidates for executive positions.

In the past financial year, the ratio of women in executive positions remained unchanged at 53%. The gender composition of the Executive Board was also unchanged with both members being men.

GENDER COMPOSITION AT EXECUTIVE LEVEL

BabySam at a glance

CORE GROUP ACTIVITIES

The parent company's primary activity is to act as the parent company of the BabySam Group, which operates a chain of stores selling and renting out baby equipment and selling mother and child products. In addition, BabySam operates a webshop, www.babysam.dk, which allows customers to shop baby equipment at all hours.

BabySam imports a considerable share of its range of baby products and owns Odder Barnevognsfabrik, which produces prams for the Danish market.

Part of BabySam's revenue stems from sales to municipal and private day care institutions in Denmark.

The company is also a co-owner of Nordic Baby Group AB.

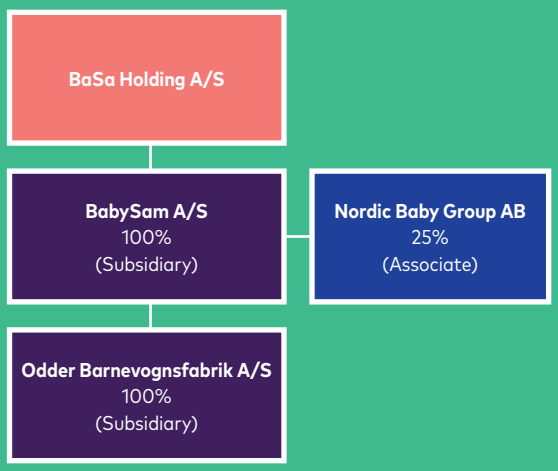
OWNERSHIP STRUCTURE

BaSa Holding A/S is owned by Samba Feeder A/S (70%) and Vendor Co. Af April 2013 ApS (26%). The remaining shares are owned by executives and members of the Board of Directors.

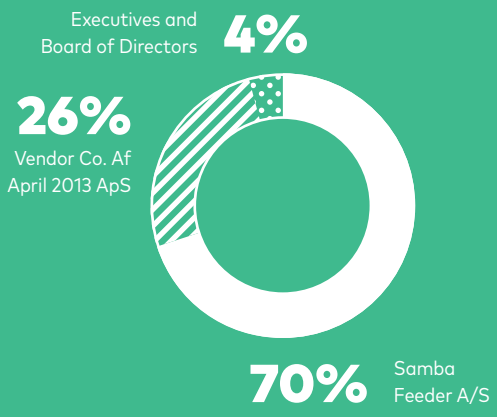
Samba Feeder A/S is owned by Polaris Private Equity and AAC Capital Partners.

Polaris is a member of the Danish Venture Capital and Private Equity Association (DVCA) and, as such, endorses the DVCA's guidelines. For more information, see www.DVCA.dk.

GROUP STRUCTURE, BASA HOLDING A/S



DISTRIBUTION OF SHARES, BASA HOLDING A/S



GROUP STRUCTURE

This consolidated Annual Report concerns the BabySam Group and has been prepared by the parent company for consolidation in BaSa Holding A/S.

The group structure is shown above.

Financial highlights

DKK'000	2016/17	2015/16	2014/15	2013/14	2013 (6M)
Key figures					
Revenue	476,928	439,380	386,760	365,827	184,261
Gross profit/loss	128,648	113,399	95,156	92,037	57,286
Normalised EBITDA	30,772	22,149	6,590	647	-5,200
Operating profit/loss	20,000	10,449	-955	-2,226	5,540
Profit/loss for the year	**32,436**	**24,634**	**3,525**	**-1,335**	**5,199**
Non-current assets	49,877	43,406	34,665	37,624	38,083
Current assets	191,968	159,894	130,860	111,978	122,378
Total assets (balance sheet total)	**241,847**	**203,300**	**165,525**	**149,602**	**160,461**
Investments in property, plant and equipment	11,802	9,503	3,101	4,529	25,201
Share capital	2,593	2,593	2,528	2,528	2,528
Equity	**140,134**	**107,698**	**82,389**	**78,864**	**80,199**
Net cash and cash equivalents	**59,965**	**48,752**	**34,453**	**22,072**	**19,408**
Financial ratios					
Operating margin	4.2%	2.4%	-0.2%	-0.4%	3.0%
Return on invested capital	15.9%	10.7%	-1.1%	-2.7%	4.8%
Gross margin	27.0%	25.8%	24.6%	25.2%	31.1%
Equity ratio	57.9%	53.0%	49.8%	52.7%	50.0%
Return on equity	26.2%	25.9%	4.4%	-1.7%	6.5%
Average number of full-time employees	270	259	257	278	261

In 2013, negative goodwill of DKK 16.2 million was recognised as revenue, while the corresponding and remaining income in financial year 2013/14 was DKK 4.8 million.

The financial ratios have been calculated in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Finance Society. See "Accounting policies" for terms and definitions.

Management's review

Highlights of the year

In 2016/17, BabySam grew revenue to DKK 477 million, a 9% increase compared with the year before that was attributable to higher sales across the business, i.e. the stores, the webshop and B2B. This translated into normalised EBITDA of DKK 31 million, an increase of more than 40%. Over the past three financial years, normalised EBITDA has surged by more than 400%.

BabySam won market share in the past year with growth driven by a higher level of activity in stores in combination with more than 20% growth in online sales. As a result of the growing online sales, the share of Click & Collect online orders grew to more than 30%. This led to more traffic to BabySam's retail stores, a strong manifestation of BabySam's omnichannel strategy.

BabySam continued to optimise the company's stores by way of relocation and modernisation, which contributed to the positive performance. Going forward, focus will be on expansion in Copenhagen and Aarhus, the leading Danish shopping centres and other selected areas in Denmark.

BabySam's webshop made further headway in the past financial year and combined with the physical stores to produce a more integrated shopping experience. The webshop is a great help to parents with small children and grandparents who have trouble finding the time for both childcare and shopping or just prefer shopping online, independently of store opening hours.

BabySam also generated substantial growth in sales to professional customers, which primarily comprise municipalities and the day care segment. For this market, BabySam offers special Odder models, bicycles, furniture and a select range

TIMELINE

November
Black Friday sales surged to impressive new record

December
Second BabySam City store opened in Frederiksberg

January
New all-in-one store opened in Lyngby

April
New store opened in Vejle

May
Partner selected to replace our digital platforms

July
New e-mail marketing platform launched

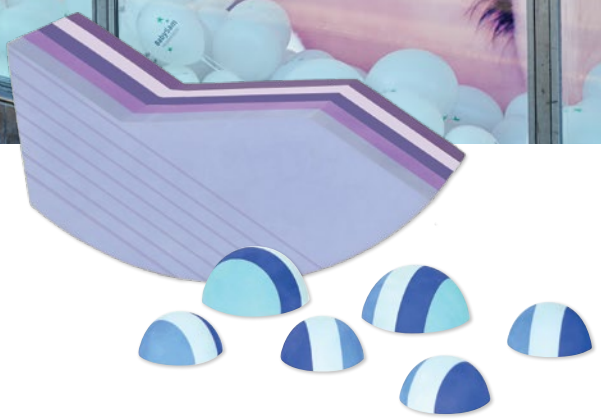
August
The Holly's brand acquired

September
New store opened in Esbjerg

September
BabySam card launched

WINDOW SHOPPING

◆ Our City stores offer a calm atmosphere and a relaxed shopping experience that begins already at the shop front.



bObles

◆ City store customers are offered a wide range of bObles articles. Added to BabySam's product range in the past financial year, bObles has generated solid revenue.

Strong City concept

The reopening of the Lyngby store marked the opening of BabySam's third City store.

City stores are found in locations with a natural customer flow, which provides a different and more inspiration-driven shopping experience. The product range offered by City stores is carefully selected according to location and customer segment. In keeping with the global trend of fusing physical and online stores, leading to a reduced need for physical space, BabySam plans to open additional City stores.

ROOM FOR EXCITEMENT

◆ Small store environments are created to inspire and encourage dreams.

of baby textiles and toys. Following last year's strong performance, B2B sales showed very satisfactory growth, at 42%, also in 2016/17. Thanks to our active interaction with municipalities to expand the customised product range, we expect to sustain momentum in the years ahead.

In the past financial year, BabySam's Management focused on executing the Group's forward-looking strategy, continuing the favourable commercial performance and optimising the store structure.

- BabySam consistently pursued its strategic course, characterised by a full-toned omnichannel strategy setting out to always put the customer in focus, whether shopping online or in a store. This strategy builds on the online presence established years ago. Combined with a strong store structure and the provision of professional advice and service, the strategy is intended to further reinforce BabySam's market position.

- BabySam launched a comprehensive technology update to support the omnichannel strategy from head office to customer. The technology programme will extend over the next year but is already well underway with a new customer platform and a new online platform to be launched in December 2017.

- The comprehensive store optimisation programme continued in 2016/17. A new store was established in Frederiksberg, and two stores in Jutland and one in Zealand relocated to more up-to-date premises. Restructuring and efficiency-improvement efforts brought more traffic to BabySam's stores and trimmed the Group's costs, translating into an improved operational performance. Contracts have been signed for two new stores, which are expected to open in 2017 and 2018, respectively.

- A second BabySam City store opened in December 2016 and has been a great success. This confirms the raison d'être of small stores that, supported by a strong online presence, are able to offer the market's best product range.

- In close collaboration with existing and new suppliers, BabySam improved its product range and launched a series of new products, exciting activities and attractive offers. We will continue this close collaboration in the years ahead.

- BabySam's comprehensive catalogue remains a highly valuable tool for young families and is increasingly used in combination with BabySam.dk. Together, these two tools provide consumers with a good overview of our comprehensive product range and many offers.

- A new BabySam card offering the holder up to 12 months' interest-free credit was introduced in the past financial year. This card is an add-on to the services intended to make parenthood easier and less worrisome for our customers.

- As part of the company's strategy, BabySam strengthened its portfolio of own and exclusive products and brands, acquiring Holly's, one of the strongest organic baby clothing brands with some of the richest traditions in Denmark, and developing the new My Baby Wear brand. Both brands contributed positively to the profit for the year. We will step up our efforts to expand our Private Label offering with affordably priced quality products, with Holly's expected to play a key role.

The Odder pram

– Danish quality for almost a hundred years

Parents choosing an Odder pram for their children become part of a special Danish tradition that is about sleep, health and beautiful, functional design. For the smallest and most precious of all. At Babysam, we know that becoming parents is the beginning of a life filled with decisions, big and small. Buying a pram is one of the most expensive and important of those decisions.

When Danish parents tuck their babies in an Odder pram, they also carry on a tradition and become part of a history dating back almost one hundred years. Since 1925, Danish mothers and fathers have carried and safeguarded their most cherished possessions in safe, comfortable and beautiful Odder prams. At Odder, they work day in and day out to make the world's best prams for young families, day care providers and institutions.

At Odder, quality, safety, design and comfort go hand in hand.

1940


1975


2017

Financial review

The past few years have seen growing demand for baby equipment in Denmark, primarily reflecting an increase in the number of births and growing consumer optimism in a market that remains very competitive.

Even so, BabySam experienced strong growth in 2016/17. Some of our lines benefited particularly strongly from these market trends, further boosting total business volumes.

DEVELOPMENTS IN OPERATIONS AND FINANCIAL POSITION
Consolidated revenue for financial year 2016/17 was DKK 477 million (2015/16: DKK 439 million).

Revenue grew by 9% in the past financial year. Based on retail price developments in general and birthrate developments in particular, BabySam is believed to have won substantial market share in the past financial year as well.

Growth was primarily organic, but the opening of a new store in Frederiksberg and store relocations to better premises also contributed to performance.

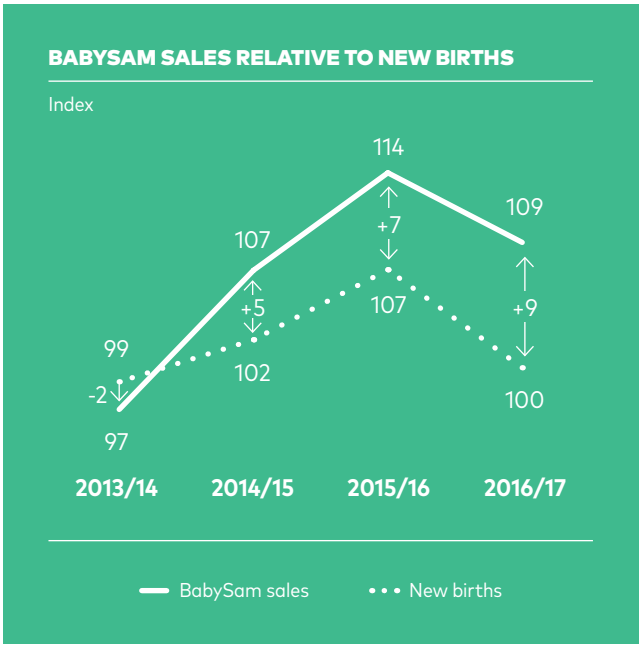
EBITDA came to DKK 27 million. A number of activities specifically designed to strengthen BabySam's management, technological footprint and store structure were completed during the financial year. This led to non-recurring costs totalling DKK 3.8 million. Normalised EBITDA thus came to DKK 30.8 million, an improvement of DKK 8.6 million compared with last year.

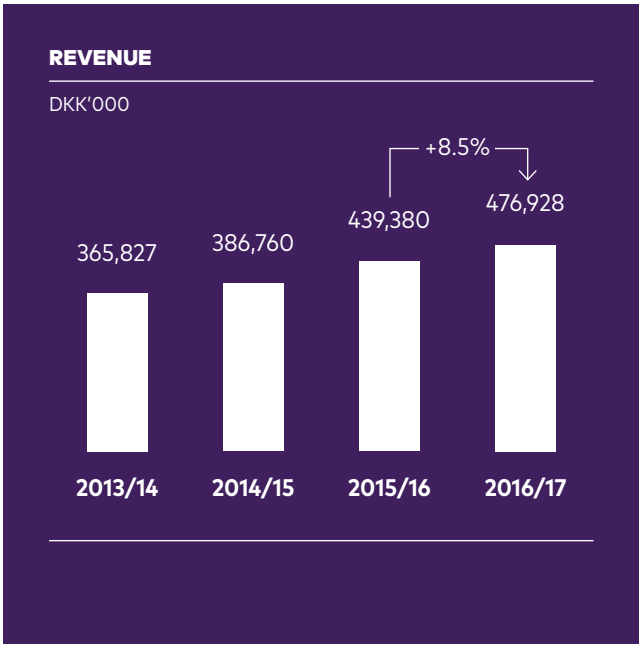
Consolidated earnings measured in terms of EBITDA improved considerably compared with last year, driven by higher revenue, improved campaigning and sourcing conditions and cost reductions. In addition, the profit for the year was favourably affected by the reversal of prior-year impairment losses on deferred tax assets totalling DKK 13 million based on the Group's strong performance and expectations of future utilisation of these tax assets.

Sales and earnings developed as expected in the financial year.

At the end of the financial year, the company's assets totalled DKK 242 million, and equity stood at DKK 140 million.

OUTLOOK
Due to demographic developments, the number of child births is expected to increase further in the coming year.





Additional changes to BabySam's store structure, the implementation of new technology, the dedicated efforts of our employees and continual professionalisation of commercial processes at our head office are expected to further boost the footfall and sales.

Web platform changes and ERP system and POS solution updates will combine to give BabySam an actual omnichannel profile. This will give customers a consistent and improved experience in our physical stores and our webshop, and suppliers will be able to provide an even broader product range.

In terms of BabySam's cooperation with suppliers, focus in the next year will be on forging even closer partnerships, introducing additional new and unique items and improving trading conditions with a number of key suppliers.

Overall, the Group expects additional growth in revenue and earnings in 2017/18 compared with 2016/17.

EVENTS AFTER THE BALANCE SHEET DATE

Babysam will open a new store in the Rødovre Centrum shopping centre at the beginning of 2018, and we have entered into a lease for new premises in Jutland.

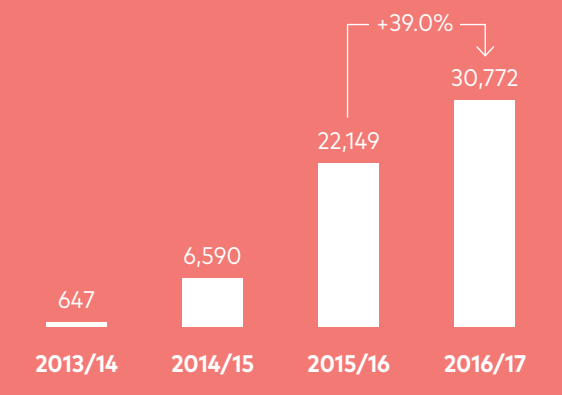
BABYSAM IS TAKING MARKET SHARE

+9%

◆ **BabySam grew sales by 9% during a period in which the birth rate index was 100, which implies that BabySam has taken significant market share.**

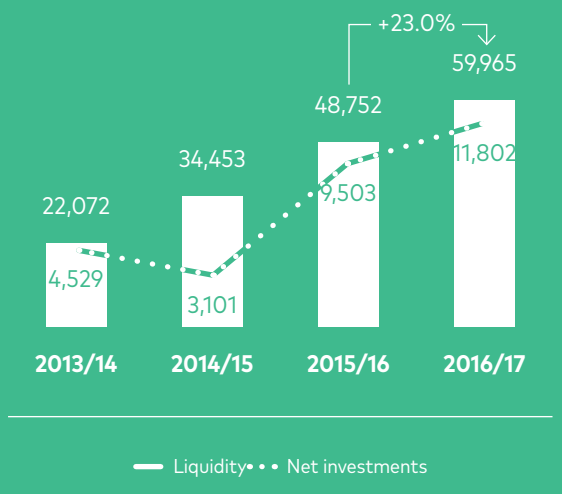
NORMALISED EBITDA

DKK'000



INVESTMENTS AND LIQUIDITY

DKK'000



HOLLY'S

Holly's

– A lucky brand

Holly's is Danish design. Since it saw the light of day, the brand has represented exquisite Danish design baby and children's clothes for quality-conscious parents. The design, identifiable by its lucky four-leaf clover and beautiful colours, is known by all Danish parents. The brand is also known for its high quality and good fit. Holly's collections comprise basic items such as bodies, sleepwear, underwear, beanies and bed linen – naturally, all made from exclusive Oeko-Tex®-certified materials.

BabySam acquired the trademark and the rights to the Holly's brand in October 2017. The sole distributor of the brand, BabySam will manage and develop the Holly's range going forward.

Company information

CORPORATE GOVERNANCE
The principal shareholders, Polaris Private Equity and AAC Capital, are both represented on the Board of Directors.

The Board of Directors held six meetings in the past financial year, including a two-day strategy seminar and one telephone conference. Further, a number of ad hoc meetings were held. The share of women on BabySam A/S's Board of Directors is 17%, unchanged from last year.

Group Management prepares monthly financial reports and regularly follows up on any identified deviations from forecasts or budgets. One or two inventory counts are carried out in each store every year to ensure that inventory values have been correctly determined. Furthermore, local counts are carried out as required. Periodic cash budgets based on current sales forecasts and estimated movements in inventories and payables are prepared for liquidity management purposes. Developments in sales and gross margin are monitored on a daily and weekly basis.

AUDIT COMMITTEE
In light of BabySam's modest size and complexity, an audit committee has not been established.

WHISTLEBLOWING
The Board of Directors has discussed whether a whistleblower scheme should be introduced and found that there is no need for such a scheme at present.

FINANCIAL RISK
At 30 September 2017, the Group's cash and cash equivalents totalled DKK 62.5 million, including DKK 4.8 million placed as collateral for various guarantees relating to leases.

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

The cash resources for continued operations and development of the individual business areas are thus in place. Any additional growth in cash reserves will be partially applied to optimise the Group's technological infrastructure and commercial platform for purposes of supporting the omnichannel strategy. We will also maintain our focus on the store structure, carrying out any relocations and new openings deemed necessary to grow earnings in individual areas.

CSR

During the period under review, we strengthened our focus on corporate social responsibility, continuing our transition towards more systematic and strategic CSR efforts. Our initiatives in the past period were focused on the four areas defined in our 2015/16 CSR strategy. Our aim at that time was to launch activities within all four areas in the past year, which we did – successfully. We are therefore able to report on all four areas and to define our vision for our forward-looking CSR efforts.

We remain committed to promoting *The good life as a child* by working responsibly. It is BabySam's policy that products sold by the Group must be produced under sustainable conditions in terms of both the environment and human rights.

Suppliers and collaboration partners must guarantee that they respect applicable product law and, as a minimum, comply with existing legislation in Denmark and the EU. The purpose of this is to ensure that national production rules and regulations are observed. Suppliers are further encouraged to support *The 10 Global Compact Principles by the United Nations*. These requirements have been incorporated into BabySam's Code of Conduct, which new suppliers must endorse in order to work with BabySam. Existing collaboration partners are also encouraged to support the ten principles. We specify this in our collaboration agreements with suppliers.

We are extending our collaboration with the Danish Mothers' Aid Foundation to enable even more people to benefit from their important work. We are starting a project to anchor our collaboration with the Mothers' Aid Foundation even more firmly between our stores and their local branches. We aim to expand our previous snowsuit campaigns by collecting clothes, toys and other things in our stores for donation to local Mothers' Aid shops. This will provide the Mothers' Aid Foundation with permanent locations where they can collect donations for their shops, while also extending the life cycle of the items collected by making sure they are recycled and come in useful once more instead of being disposed of.

We are continuing our work in the financial and environmental areas, placing increased emphasis on our logistics footprint to be able to further reduce our environmental impact while at the same time optimising our processes.

In a pilot project, we have installed LED lighting in our store in Tåstrup. We expect this to significantly reduce our kWh consumption. Based on an evaluation of the project, we will decide whether to install LED lights in all our stores.

AMBITIONS FOR 2017/18

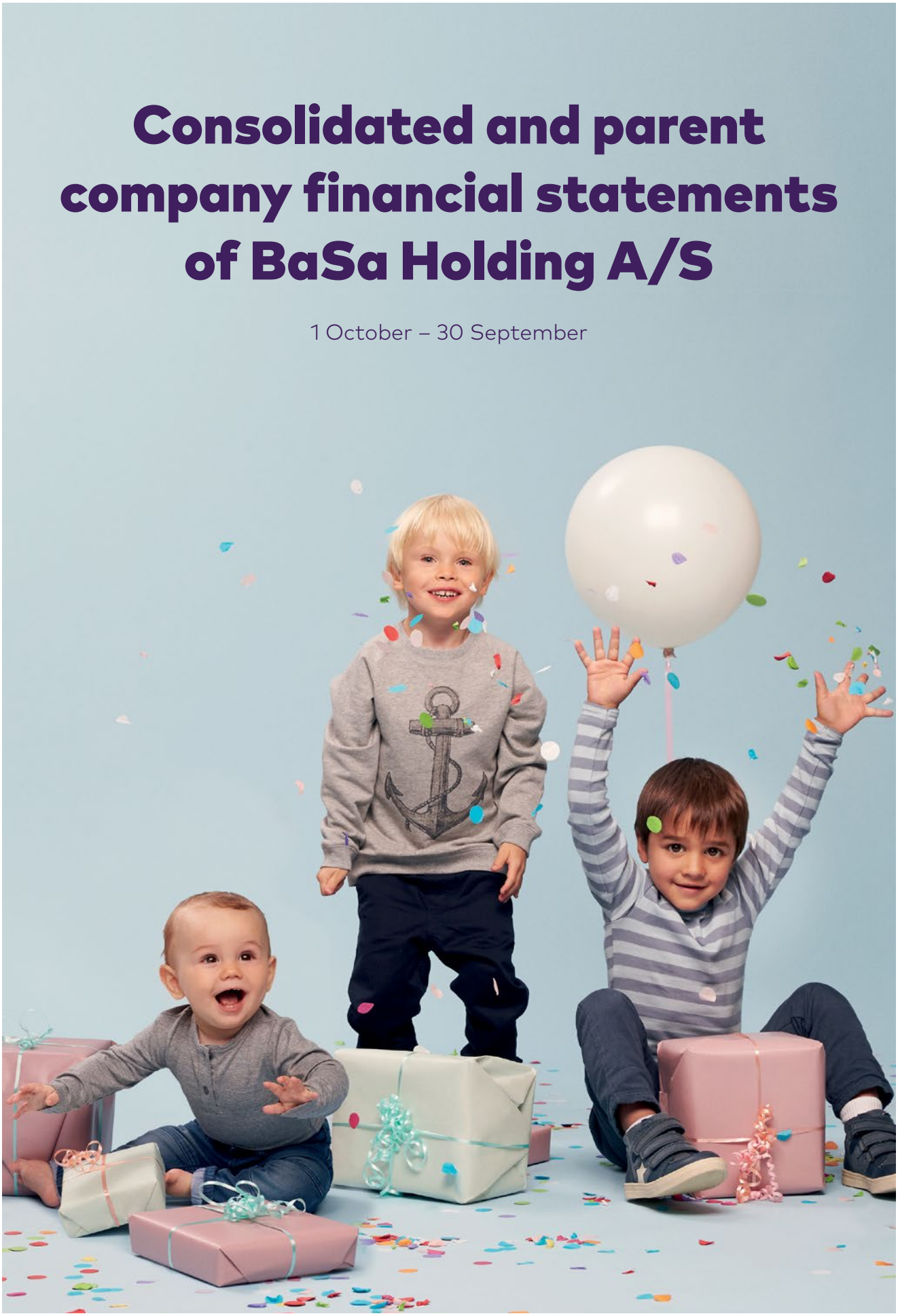
The Group is committed to continuing and expanding its CSR efforts in 2017/18. We increased our focus on the CSR area in the past year and created a niche in which we can maximise value creation. We will maintain our focus on *The Good Life as a Child* and on how we can make a difference for children.

Our new, expanded Code of Conduct will be integrated into existing collaboration agreements during 2017/18. We also plan to conduct a survey among our suppliers for the purpose of improving our reporting on conditions further out in our supply chain. We expect to carry out this survey in the first half of 2018.

Being a holding company, BaSa Holding A/S does not have a separate CSR policy. The Group's full report on corporate social responsibility is available (in Danish) at BabySam's website, www.babysam.dk/politik2016-17.

Consolidated and parent company financial statements of BaSa Holding A/S

1 October – 30 September



Management statement

The Board of Directors and the Executive Board have today considered and approved the annual report of BaSa Holding A/S for the financial year 1 October 2016 - 30 September 2017.

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

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 2017 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 October 2016 - 30 September 2017.

Furthermore, in our opinion, the Management's review includes a fair review of developments in the operations and financial position of the Group and the parent company, the financial results for the year and the Group's and the parent company's financial position.

We recommend the annual report for adoption at the annual general meeting.

Rødovre, 13 December 2017

EXECUTIVE BOARD

Kenneth Nørgaard

Mikael Koch Jensen

BOARD OF DIRECTORS

Sanna Mari Suvanto-Harsaae
Chairman

Niels-Christian Worning

Peter Jalsøe

Jan Johan Kühl

Johan Gustaf Olof Bjurström

Karl Tommy Wikström

Independent auditor's report

TO THE SHAREHOLDERS OF BASA HOLDING A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of BaSa Holding A/S for the financial year 1 October 2016 - 30 September 2017, which comprise an income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the parent company, and a consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 30 September 2017 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

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

MANAGEMENT'S RESPONSIBILITIES 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 as 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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management. •

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

Copenhagen, 13 December 2017

ERNST & YOUNG
Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Jens Thordahl Nøhr State Authorised Public Accountant	Kim Thomsen State Authorised Public Accountant

Income statement

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
3	Revenue	476,928	439,380	0	0
	Cost of sales	-276,279	-251,136	0	0
4	Other operating income	125	69	0	0
	External expenses	-72,127	-74,914	-200	-105
	Gross profit/loss	**128,647**	113,399	-200	-105
5	Staff costs	-101,647	-96,571	0	0
	Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-7,000	-6,379	0	0
	Operating profit/loss	**20,000**	**10,449**	**-200**	**-105**
	Share of profit or loss after tax of group entities and associates	0	-2	32,592	24,710
6	Financial income	228	279	0	0
7	Financial expenses	-699	-460	0	0
	Profit/loss before tax	**19,529**	**10,266**	**32,392**	**24,605**
8	Tax on profit/loss for the year	12,907	14,368	44	29
	Profit/loss for the year	**32,436**	**24,634**	**32,436**	**24,634**

Balance sheet, assets

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
9	**Intangible assets**				
	Goodwill	660	912	0	0
	Rights and software	4,606	4,859	0	0
	Completed development projects	1,112	477	0	0
	Development projects in progress	336	384	0	0
		6,714	**6,632**	**0**	**0**
10	**Property, plant and equipment**				
	Land and buildings	9,256	9,537	0	0
	Plant and machinery	323	290	0	0
	Other fixtures and fittings, tools and equipment	18,459	12,770	0	0
	Leasehold improvements	6,943	5,544	0	0
		34,981	**28,141**	**0**	**0**
	Investments				
11	Investments in group entities	0	0	140,090	107,498
12	Investments in associates	26	26	0	0
13	Other receivables	8,158	8,607	0	0
		8,184	**8,633**	**140,090**	**107,498**
	Total non-current assets	**49,879**	**43,406**	**140,090**	**107,498**
	Current assets				
	Inventories				
	Raw materials and consumables	1,520	2,126	0	0
	Work in progress	958	1,529	0	0
	Manufactured goods and goods for resale	80,112	74,502	0	0
	Prepayments on inventories	786	787	0	0
		83,376	**78,944**	**0**	**0**
	Receivables				
	Trade receivables	9,861	6,841	0	0
	Receivables from group entities	0	0	81	57
	Receivables from associates	25	25	0	0
	Other receivables	1,302	1,539	0	0
	Income tax	0	0	44	23
	Prepayments	2,175	1,223	0	0
14	Deferred tax assets	32,702	19,668	0	0
		46,065	**29,296**	**125**	**80**
19	**Cash and cash equivalents**	**62,527**	**51,654**	**699**	**700**
	Total current assets	**191,968**	**159,894**	**824**	**780**
	TOTAL ASSETS	**241,847**	**203,300**	**140,914**	**108,278**

Balance sheet, equity and liabilities

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
	Equity				
15	Share capital	2,593	2,593	2,593	2,593
	Reserve for net revaluation according to the equity method	0	0	65,090	32,498
	Retained earnings	137,541	105,105	72,451	72,607
	Total equity	**140,134**	**107,698**	**140,134**	**107,698**
	Provisions				
	Other provisions	113	175	0	0
	Total provisions	**113**	**175**	**0**	**0**
	Liabilities				
16	Non-current liabilities				
	Due to mortgage credit institutions	2,214	2,559	0	0
		2,214	**2,559**	**0**	**0**
	Current liabilities				
16	Current portion of non-current liabilities	348	343	0	0
	Prepayments received from customers	7,316	8,927	0	0
	Trade payables	64,984	58,925	0	0
	Amounts owed to group entities	0	0	667	473
	Other payables	26,609	24,600	113	107
	Income tax	129	73	0	0
		99,386	**92,868**	**780**	**580**
	Total liabilities	**101,600**	**95,427**	**780**	**580**
	TOTAL EQUITY AND LIABILITIES	**241,847**	**203,300**	**140,914**	**108,278**

1 Accounting policies
2 Special items
17 Contractual obligations and contingent items etc.
18 Contingent assets
19 Charges and security
20 Related parties
21 Fees to auditors appointed at the annual general meeting
22 Directorships held by members of the Board of Directors and the Executive Board

Statement of changes in equity

GROUP

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 October 2015	**2,528**	**79,861**	**82,389**
	Capital increase	65	585	650
	Proceeds from share options issued	0	25	25
23	Transferred via distribution of net profit	0	24,634	24,634
	Equity at 1 October 2016	**2,593**	**105,105**	**107,698**
23	Transferred via distribution of net profit	0	32,436	32,436
	Equity at 30 September 2017	**2,593**	**137,541**	**140,134**

PARENT COMPANY

Note	DKK'000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
	Equity at 1 October 2015	**2,528**	**7,788**	**72,073**	**82,389**
	Capital increase	65	0	585	650
	Proceeds from share options issued	0	0	25	25
23	Transferred via distribution of net profit	0	24,710	-76	24,634
	Equity at 1 October 2016	**2,593**	**32,498**	**72,607**	**107,698**
23	Transferred via distribution of net profit	0	32,592	-156	32,436
	Equity at 30 September 2017	**2,593**	**65,090**	**72,451**	**140,134**

Statement of cash flows

Note	DKK'000	GROUP 2016/17	GROUP 2015/16
	Revenue	476,928	439,380
	Costs	-450,052	-422,621
	Other operating income	125	69
	Cash generated from operations before changes in working capital	27,001	16,828
24	Changes in working capital	-1,713	12,178
25	Adjustment for non-cash items	-62	0
	Cash generated from operations	25,226	29,006
	Interest received	228	279
	Interest paid	-699	-460
	Taxes paid	-71	-79
	Cash flows from operating activities	**24,684**	**28,746**
	Acquisition of intangible assets and property, plant and equipment	-13,920	-12,125
	Disposal of intangible assets and property, plant and equipment	0	14
	Changes in investment	449	-3,011
	Cash flows used for investing activities	**-13,471**	**-15,122**
	Loan financing:		
	Repayments of amounts due to credit institutions	-340	-317
	Cash capital increase and sale of share options	0	675
	Cash flows from financing activities	**-340**	**358**
	Cash flows for the year	10,873	13,982
	Cash and cash equivalents at the beginning of the year	**51,654**	**37,672**
	Cash and cash equivalents at the end of the year	**62,527**	**51,654**

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

Notes

1 Accounting policies

The annual report of BaSa Holding A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C entities.

Effective 1 October 2016, the Group implemented Act no. 738 of 1 June 2015. Accordingly, the residual values of items of property, plant and equipment must be reassessed on an annual basis. As the Group has no material residual values on items of property, plant and equipment other than what is attributable to the Group's land, the change is effected with prospective effect as a change in accounting estimates in pursuance of section 4 of the Executive Order on transitional provisions and has no effect on equity.

Apart from the above and new and revised presentation and disclosure requirements stipulated in Act no. 738 of 1 June 2015, the accounting policies applied in the preparation of the financial statements are consistent with those of last year.

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements consolidate the parent company, BaSa Holding A/S, and subsidiaries in which BaSa Holding A/S directly or indirectly holds more than 50% of the voting rights or in other ways exercises a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and exercises significant influence but not control are regarded as associates.

On consolidation, intra-group income and expenses, equity investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated entities are eliminated.

Investments in subsidiaries are eliminated at the proportionate share of the subsidiaries' fair value of net assets and liabilities at the date of acquisition.

BUSINESS COMBINATIONS

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Enterprises divested or wound up are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated to reflect acquisitions, divestments or companies wound up.

Gains and losses on the divestment of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of the net assets at the date of divestment including unamortised goodwill and anticipated costs to divest or wind up.

Acquisitions are accounted for using the purchase method, according to which the identifiable assets and liabilities of companies acquired are measured at fair value at the time of acquisition. A provision is recognised for costs relating to scheduled and announced restructuring in the acquired company in connection with the acquisition. The tax effect of revaluations is taken into account.

Positive differences (goodwill) between cost and fair value of identifiable assets and liabilities taken over, including provisions for restructuring, are recognised under intangible assets and amortised systematically through the income statement on the basis of an individual assessment of the useful lives, not to exceed 20 years. Negative differences (negative goodwill), representing expected unfavourable performance in such companies, are recognised in the balance sheet under prepayments and are recognised in the income statement as the unfavourable performance materialises. With respect to negative goodwill that is unrelated to expected unfavourable performance, an amount corresponding to the fair value of non-monetary assets is recognised in the balance sheet and subsequently recognised in the income statement over the average useful lives of such non-monetary assets.

Positive and negative goodwill from acquired businesses may be adjusted until the end of the year after the acquisition.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currency are translated into Danish kroner at the exchange rates ruling at the transaction date.

Receivables, payables and other monetary assets and liabilities denominated in foreign currency are translated into Danish kroner at the exchange rates ruling at the balance sheet date. Realised and unrealised foreign exchange gains and losses are recognised in the income statement as financial income or expenses.

LEASES

Leases in which the company does not retain all significant risks and rewards of ownership are operating leases. Lease payments concerning operating leases are recognised in the income statement over the term of the lease.

INCOME STATEMENT

REVENUE

Income from the sale of goods for resale and finished goods is recognised in revenue at the time of delivery and transfer

Notes

1 Accounting policies, continued

of risk provided the income can be reliably measured and is expected to be received.

Rental income is recognised in revenue over the lease term, provided the income can be reliably measured and is expected to be received.

Revenue is measured after deducting all discounts granted. VAT and indirect taxes etc. charged on behalf of third parties are also deducted.

OTHER OPERATING INCOME AND EXPENSES
Other operating income and expenses comprise items of a secondary nature relative to the companies' principal activities, including gains and losses on disposal of non-current assets.

COST OF SALES
Cost of sales comprises the cost of the goods used to achieve the year's revenue.

OTHER EXTERNAL EXPENSES
Other external expenses comprise costs relating to the company's principal activity incurred during the year, including expenses for distribution, sale, marketing, administration, premises, bad debts, payments on operating leases, etc.

STAFF COSTS
Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs etc. for the Group's employees. Refunds received from public authorities are deducted from staff costs.

WARRANTS AND SHARE OPTIONS
By entering into agreements on warrants or share options, the company may demand the payment of cash to the company ahead of issuance of the actual equity-based instruments (typically shares). The classification of such prepayments depends on the payer's possibility of demanding repayment in cash or other financial assets, for example if an issue of equity-based instruments is conditional on a number of future events. In such cases, the classification will be debt instruments. Alternatively, if the payer is unable to demand repayment, the prepayment will be recognised as an equity transaction.

Equity-based schemes are not recognised in the income statement.

INCOME AND EXPENSES FROM INVESTMENTS IN GROUP ENTITIES AND ASSOCIATES
The proportionate share of the profit or loss of subsidiaries after tax is recognised in the parent company income statement after full elimination of intra-group gains/losses.

The proportionate share of the profit or loss of associates after tax is recognised in the income statement of both the Group and the parent company after elimination of the proportionate share of intra-group gains/losses.

FINANCIAL INCOME AND EXPENSES
Financial income and expenses comprise interest, realised and unrealised foreign exchange gains and losses and surcharges and allowances under the tax prepayment scheme.

TAX
Tax on the profit for the year comprises current tax calculated on the expected taxable income for the year and adjustment of deferred tax. Tax for the year is recognised in the income statement as regards the amount attributable to the profit/loss for the year and in equity as regards the amount attributable to transactions recognised in equity.

The company is jointly taxed with its Danish group entities. Danish income tax is allocated between profitable and loss-making Danish entities relative to their taxable incomes (full distribution).

Jointly-taxed entities with overpaid tax are paid as a minimum in accordance with the applicable rates for interest allowances by the administration company, and jointly-taxed entities with underpaid tax pay a maximum of a surcharge in accordance with the applicable rates for interest surcharges to the administration company.

BALANCE SHEET

INTANGIBLE ASSETS
Intangible assets comprise goodwill, rights and software and development projects.

Intangible assets are measured at cost less accumulated amortisation 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. Development costs comprise costs, salaries, depreciation and amortisation directly or indirectly attributable to development activities.

Notes

1 Accounting policies, continued

Development projects which are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or business opportunity can be demonstrated and where the intention is to manufacture, market or utilise the project, are recognised as intangible assets if the cost can be reliably measured and there is sufficient certainty that future earnings can cover production and selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

The basis of amortisation is calculated with due consideration to the asset's residual value, reduced by any impairment losses. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. Where the residual value exceeds the carrying amount, the asset ceases to be amortised.

The cost of intangible assets is amortised on a straight-line basis over the expected useful lives of the assets.

The estimated useful lives of intangible assets are:

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

If the amortisation period or the residual value is changed, the effect on amortisation going forward is recognised as a change in accounting estimates.

The amortisation period for acquired intangible rights is seven years. As the investment horizon for the company's IT system, including software, is seven years, a five-year amortisation period is not considered appropriate.

Gains and losses on the sale of intangible assets are recognised in the income statement under other operating income and other operating expenses, respectively. Gains and losses are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise land and buildings, plant and machinery, other fixtures, 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.

The basis of depreciation is calculated with due consideration to the asset's residual value less any impairment losses. The depreciation period and the residual value are determined at the acquisition date and reassessed annually. Where the residual value exceeds the carrying amount, the asset ceases to be depreciated.

The cost of property, plant and equipment is depreciated on a straight-line basis over the expected useful lives of the assets. The basis of depreciation is cost less the expected residual value.

The expected useful lives of the assets are:

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

If the depreciation period or the residual value is changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

Gains and losses on the sale of property, plant and equipment are recognised in the income statement under other operating income and other operating expenses, respectively. Gains and losses are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal.

INVESTMENTS IN GROUP ENTITIES AND ASSOCIATES

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the companies' net asset value calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group gains and losses and plus or minus the residual value of positive or negative goodwill calculated according to the purchase method.

Investments in subsidiaries and associates with a negative net asset value are recognised at DKK nil, and any receivable from these companies is written down to the extent it is deemed to be irrecoverable. To the extent that the parent company has a legal or constructive obligation to cover a negative balance that exceeds the receivable, the residual amount is recognised under provisions.

The net revaluation of investments in subsidiaries and associates is shown as a reserve for net revaluation according to

Notes

1 Accounting policies, continued

the equity method in equity to the extent the carrying amount exceeds cost. Dividends from subsidiaries expected to be adopted before the approval of the annual report of BaSa Holding A/S are not taken to the revaluation reserve.

The purchase method of accounting is used in connection with acquisitions. See the description above under consolidated financial statements.

IMPAIRMENT OF NON-CURRENT ASSETS
The carrying amount of intangible assets and property, plant and equipment and investments in subsidiaries and associates is reviewed annually for impairment in addition to what is reflected by normal amortisation and depreciation charges.

If there are indications of impairment, each asset or group of assets is tested for impairment. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use of an asset. 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.

LEASES
Leases in which the Group does not retain all significant risks and rewards of ownership are operating leases. Lease payments concerning 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 less than cost, inventories are written down to this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production costs. Indirect production costs comprise indirect materials and labour costs as well as maintenance and depreciation of production machinery, buildings, equipment, plant 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 the expected selling price.

RECEIVABLES
Receivables are measured at amortised cost.

If there is objective evidence that a receivable or a portfolio of receivables is impaired, an impairment loss is recognised.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of expected future cash flows, including the realisable value of any collateral provided. The discount rate used is the effective interest rate for the individual receivables or portfolios.

PREPAYMENTS
Prepayments comprise costs incurred relating to subsequent financial years.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash and bank deposits.

EQUITY – DIVIDENDS
Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividend expected to be paid in respect of the financial year is stated as a separate line item under equity.

PROVISIONS
Provisions comprise expected expenses relating to guarantee commitments.

Guarantee commitments comprise obligations to perform repair work within a warranty period of 1-5 years. Guarantee provisions are measured at net realisable value and recognised on the basis of experience from warranty work.

The provisions are recognised under cost of sales.

INCOME TAX AND DEFERRED TAX
BaSa Holding A/S is taxed jointly with group entities, with Samba Feeder A/S acting as administration company.

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 contributions receivable and payable are recognised in the balance sheet as "Income tax receivable" or "Income tax payable", respectively.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax on temporary differences relating to

Notes

1 Accounting policies, continued

goodwill not deductible for tax purposes and other items is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/loss for the year or the taxable income. In cases where the tax base may be computed according to several sets of tax regulations, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability planned by Management.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax related to elimination of unrealised intra-group profits and losses is adjusted on consolidation.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

PREPAYMENTS RECEIVED FROM CUSTOMERS

Prepayments received from customers comprise deposits and prepayments and liabilities regarding gift vouchers.

Prepayments received are recognised at cost. Liabilities relating to gift vouchers are recognised in revenue when used and/or expired.

LIABILITIES

Financial liabilities are recognised at the time the loans are obtained at the amount of the proceeds less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value when the effective rate of interest is used, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other liabilities are measured at net realisable value.

STATEMENT OF CASH FLOWS

The statement of cash flows 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 profit or loss, adjusted for non-cash operating items, changes in working capital and income tax paid.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of companies 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 parent company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Notes

1 Accounting policies, continued

FINANCIAL RATIOS
The financial ratios are calculated in accordance with "Recommendations & Financial Ratios 2015" issued by the Danish Finance Society, as follows:

Operating margin

$$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$$

Return on invested capital

$$\frac{\text{Operating profit/loss x 100}}{\text{Average invested capital}}$$

Gross margin

$$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Equity ratio

$$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Return on equity

$$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$$

Invested capital

Operating intangible assets and property, plant and equipment and net working capital

Normalised EBITDA

Normalised EBITDA, as referred to in the Management's review, represents operating profit before amortisation, depreciation and impairment, adjusted for special items.

As described in the Management's review, the profit for the year is affected by a number of factors which Management considers not to be a part of the primary operations.

Special items

Special items comprise significant income and expenses of an exceptional nature relative to the company's earnings-generating operating activities such as the costs of extensive structuring of processes and basic structural changes as well as any associated disposal gains and losses that over time have a material effect. Special items also include other significant amounts of a one-off nature which Management does not consider to be a part of the Group's primary operations.

Notes

2 Special items

As described in the Management's review, the profit for the year is affected by a number of factors which Management considers not to be a part of the primary operations.

The year's special items are specified below, including in which line items in the income statement they are recognised.

		GROUP		PARENT COMPANY	
Note	DKK'000	2016/17	2015/16	2016/17	2015/16
	Income				
	Reversal of impairment loss on tax assets	13,034	14,713	0	0
	Expenses				
	Strengthening of BabySam's management, technological footprint and store structure	-3,772	-5,400	-47	0
	Result of special items, net	**9,262**	**9,313**	**-47**	**0**
	Special items are recognised in the following line items:				
	Other external expenses	-3,772	-5,400	-47	0
	Tax on profit/loss for the year	13,034	14,713	0	0
		9,262	**9,313**	**-47**	**0**

3 Revenue

In accordance with section 96(1) of the Danish Financial Statements Act, a breakdown of revenue by geographical and business segments is not provided as the entire consolidated revenue is generated in Denmark and within the same segment (the sale and rental of baby equipment and the sale of mother and child products).

Notes

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
4	**Other operating income**				
	Refurbishment contributions	125	69	0	0
		125	**69**	**0**	**0**
5	**Staff costs**				
	Wages and salaries	91,407	87,400	0	0
	Pensions	6,913	6,549	0	0
	Other social security costs	3,143	2,588	0	0
	Other staff costs	184	34	0	0
	Total	**101,647**	**96,571**	**0**	**0**
	Average number of full-time employees	270	259	0	0

Staff costs include salaries to the Executive Board of DKK 4,185 thousand (2015/16: DKK 1,836 thousand) and remuneration of the parent company's Board of Directors in the amount of DKK 350 thousand (2015/16: DKK 350 thousand).

Incentive programmes

The company has issued a total of 25,000 share options entitling their holders to subscribe for A shares of nominally DKK 25 thousand at a subscription price of DKK 10 per A share of DKK 1 plus 10% p.a. from 9 April 2013 until the date of exercise. The subscription period expires on 19 February 2019.

The Board of Directors is also authorised to issue 200,000 share options entitling the holders to subscribe for up to nominally 200,000 A shares in the company. The terms and conditions will be defined by the Board of Directors. The authorisation is valid until 19 February 2019.

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
6	**Financial income**				
	Foreign exchange gains	228	170	0	0
	Other financial income	-	109	0	0
	Total	**228**	**279**	**0**	**0**

Notes

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
7	**Financial expenses**				
	Mortgage interest	67	115	0	0
	Foreign exchange losses	283	226	0	0
	Other interest expenses	349	119	0	0
		699	**460**	**0**	**0**
8	**Tax on profit/loss for the year**				
	Tax on taxable income for the year	129	73	-44	-23
	Adjustment of deferred tax in the year	-13,034	-14,713	0	0
	Prior-year tax adjustments	-2	272	0	-6
		-12,907	**-14,368**	**-44**	**-29**

Note	DKK'000	Goodwill	Rights and software	Completed development projects	Development projects in progress	GROUP Total
9	**Intangible assets**					
	Cost at 1 October 2016	531,099	21,646	2,445	384	555,574
	Additions	0	1,244	677	197	2,118
	Transfer			245	-245	0
	Cost at 30 September 2017	531,099	22,890	3,367	336	557,692
	Amortisation and impairment at 1 October 2016	530,187	16,787	1,968	0	548,942
	Amortisation	252	1,497	287	0	2,036
	Amortisation and impairment at 30 September 2017	530,439	18,284	2,255	0	550,978
	Carrying amount at 30 September 2017	**660**	**4,606**	**1,112**	**336**	**6,714**

Notes

GROUP

Note	DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
10	**Property, plant and equipment**					
	Cost at 1 October 2016	16,360	7,126	64,451	17,500	105,437
	Additions	0	118	9,295	2,389	11,802
	Disposals	0	0	0	0	0
	Cost at 30 September 2017	16,360	7,244	73,746	19,889	117,239
	Depreciation and impairment at 1 October 2016	6,821	6,836	51,681	11,956	77,294
	Depreciation	283	85	3,606	990	4,964
	Reversal of depreciation on disposal	0	0	0	0	0
	Depreciation and impairment at 30 September 2017	**7,104**	**6,921**	**55,287**	**12,946**	**82,258**
	Carrying amount at 30 September 2017	**9,256**	**323**	**18,459**	**6,943**	**34,981**

PARENT COMPANY

Note	DKK'000	2016/17	2015/16
11	**Investments in subsidiaries**		
	Cost at 1 October	75,000	75,000
	Cost at 30 September	75,000	75,000
	Value adjustments at 1 October	32,498	7,788
	Profit/loss for the year, subsidiaries	32,592	24,710
	Value adjustments at 30 September	65,090	32,498
	Carrying amount at 30 September	**140,090**	**107,498**

Name and registered office (DKK'000)	Ownership share	Equity	Profit/loss for the year
BabySam A/S, Rødovre	100%	140,090	32,592

The profit/loss for the year and the carrying amount of BabySam A/S include the carrying amounts of the subsidiary Odder Barnevognsfabrik A/S and the associate Nordic Baby Group AB.

Notes

Note	DKK'000	2016/17	GROUP 2015/16
12	**Investments in associates**		
	Cost at 1 October	26	26
	Cost at 30 September	26	26
	Value adjustments at 1 October	0	2
	Adjustment	0	0
	Profit/loss for the year	0	-2
	Value adjustments at 30 September	0	0
	Carrying amount at 30 September	**26**	**26**

Name and registered office (DKK'000)	Ownership share	Equity	Profit/loss for the year
Nordic Baby Group AB, Gislaved, Sweden	25%	104	2

13 Other receivables (group)

Note	DKK'000	Total
	Cost at 1 October 2016	8,607
	Additions	1,305
	Disposals	-1,754
	Carrying amount at 30 September 2017	**8,158**

Notes

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
14	**Deferred tax assets**				
	Deferred tax at 1 October	19,668	4,954	0	0
	Adjustment of deferred tax in the year	13,034	14,714	0	0
	Deferred tax at 30 September	**32,702**	**19,668**	**0**	**0**
	Deferred tax relates to:				
	Intangible assets	8,025	11,089	0	0
	Property, plant and equipment	7,621	7,755	0	0
	Current assets	1,062	404	0	0
	Tax losses	16,041	17,741	47	47
	Impairment of deferred tax assets	-47	-17,321	-47	-47
	Deferred tax at 30 September	**32,702**	**19,668**	**0**	**0**

At 30 September 2017, the Group has recognised deferred tax assets of DKK 32,702 thousand (2015/16: DKK 19,668 thousand). Based on budgets and forecasts until 2021/22, Management believes the Group's recognised deferred tax assets can be set off against tax on future income within the next five years.

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
15	**Share capital**				
	The share capital consists of:				
	A shares	2,568	2,568	2,568	2,568
	B shares	25	25	25	25
		2,593	**2,593**	**2,593**	**2,593**

The share capital comprises 2,567,500 A shares with a nominal value of DKK 1 each and 25,000 B shares with a nominal value of DKK 1 each.

Changes in the share capital in the past five years:

DKK'000	2016/17	2015/16	2014/15	2013/14	2013
Share capital, beginning of year	2,593	2,528	2,528	2,528	2,528
Capital increase	0	65	0	0	0
	2,593	**2,593**	**2,528**	**2,528**	**2,528**

Notes

Note	DKK'000	Total debt at 30/09/2017	Repayments next year	Non-current portion	Outstanding debt after 5 years
					GROUP
16	**Non-current liabilities**				
	Due to mortgage credit institutions	2,562	348	2,214	819

17 Contractual obligations and contingent items etc.

The company is jointly taxed with its ultimate parent company, Samba Feeder A/S, as its administration company, and its subsidiaries and is jointly and severally liable with the other jointly-taxed companies for the payment of income tax as from income year 2013.

Note	DKK'000	GROUP 2016/17	GROUP 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
	Rental and lease obligations	121,562	77,968	0	0

Rental and lease obligations comprise rent commitments totalling DKK 118,672 thousand with respect to non-terminable tenancy agreements with a residual contract term of up to eight years. Also included are obligations under operating leases for cars and photocopiers totalling DKK 2,890 thousand with a residual contract term of up to five years.

18 Contingent assets

The Group has an unrecognised deferred tax asset of DKK 47 thousand (2015/16: DKK 17,321 thousand).

19 Charges and security

The Group has mortgaged land and buildings with a carrying amount of DKK 9,256 thousand at 30 September 2016 as security for amounts due to mortgage credit institutions and credit institutions totalling DKK 2,562 thousand.

The Group has provided bank guarantees in the amount of DKK 4,791 thousand (2015/16: DKK 4,265 thousand) as security for rent commitments etc.

The Group has granted a charge on receivables, inventories and non-current assets totalling DKK 8,500 thousand (2015/16: charge on cash and cash equivalents of DKK 5,150 thousand) as security for bank guarantees.

Notes

20 Related parties

BaSa Holding A/S's related parties are:

Related parties with control:
Samba Feeder A/S holds the majority of the company's share capital.

Related-party transactions
Other than joint taxation contributions, BaSa Holding A/S did not engage in any related party transactions during the financial year.

Consolidated financial statements
The company is included in the consolidated financial statements of Samba Feeder A/S. The consolidated financial statements are available from the company on request.

		GROUP		PARENT COMPANY	
Note	DKK'000	2016/17	2015/16	2016/17	2015/16
21	**Fees to auditors appointed at the annual general meeting**				
	Statutory audit fee	244	237	10	9
	Tax advice	21	20	3	3
	Other services	297	23	8	8
		562	**280**	**21**	**20**

Notes

22 Directorships held by members of the Board of Directors and the Executive Board

Jan Johan Kühl and Niels-Christian Worning have been appointed by Polaris Private Equity.

Johan Bjurström and Karl Tommy Wikström have been appointed by AAA Capital Partners.

Peter Jalsøe has been appointed by Vendor Co. Af April 2013 ApS.

Sanna Suvanto-Haarsaae has been appointed jointly by Polaris Private Equity and AAC Capital Partners.

The members of the company's Board of Directors and Executive Board hold the following directorships:

Board of Directors	Directorships in other companies
Sanna Mari Suvanto-Harsaae	TCM Group A/S, Sunset Boulevard A/S, Best VPG Holding A/S, BoConcept Holding A/S, Workz A/S, Altia Oyj, and Footway AB, Paulig Oyj, Upplands Motor AB, SAS AB, Broman Group Oyj and CEPOS
Niels-Christian Worning	Triax A/S and a number of companies owned by Polaris Private Equity
Jan Johan Kühl	Brøndum Holding A/S, Interprimo A/S, Part Unique ApS, Det Danske Madhus, Molslinjen A/S and a number of companies owned by Polaris Private Equity
Peter Jalsøe	Alt til Barnet Holding ApS, Secure Fondsmæglerselskab A/S, Secure Capital A/S, Move-Easy A/S
Johan Gustaf Olof Bjurström	Empower Holding Oy, TylöHelo Group Oy,Viking Redningstjeneste, Topco A/S
Karl Tommy Wikström	Ouman Oy, Envirotainer International AB

Executive Board	Directorships in other companies
Kenneth Nørgaard	Odder Barnevognsfabrik A/S
Mikael Koch Jensen	Travel Pool Europe fmba Odder Barnevognsfabrik A/S

Notes

Note	DKK'000	PARENT COMPANY 2016/17	2015/16
23	**Distribution of profit**		
	Proposed distribution of profit		
	Reserve for net revaluation according to the equity method	32,592	24,710
	Transferred to equity reserve	-156	-76
		32,436	**24,634**
24	**Changes in working capital**		
	Changes in inventories	-4,433	-788
	Changes in receivables	-3,735	450
	Changes in prepayments, trade payables and other payables	6,455	12,516
		-1,713	**12,178**
25	**Adjustment for non-cash items**		
	Changes in provisions	-62	0
	Gain/loss on disposal of non-current assets	0	0
		-62	**0**

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