



# KID ASA ANN UAL REP ORT 016

Kid  
ANNUAL  
REPORT  
2016





# ANNUAL REPORT 2016

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FINANCIAL  
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KID ASA  
2016

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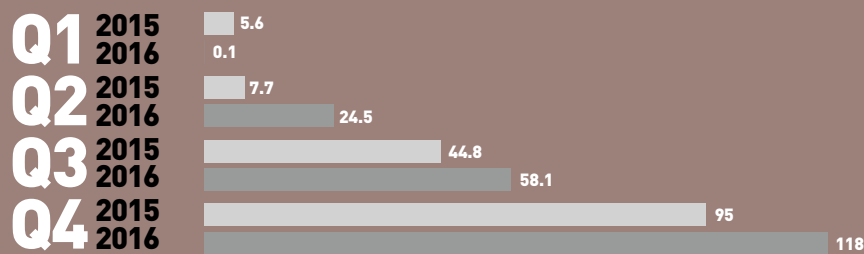
**DISCLAIMER:** This report includes forward-looking statements which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this report, including statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements. Words such as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

# FINANCIAL HIGHLIGHTS 2016

## REVENUES (MNOK)



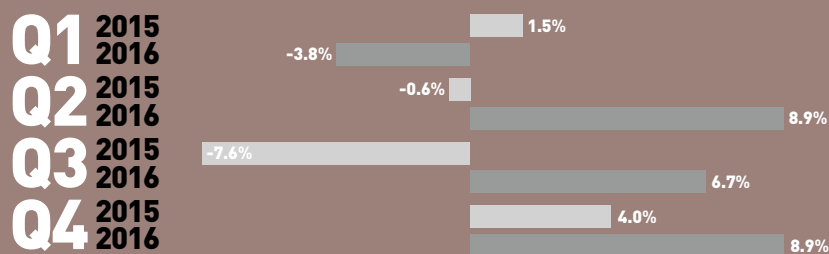
## ADJUSTED EBITDA (MNOK)



## NUMBER OF PHYSICAL STORES (period end)



## LIKE-FOR-LIKE GROWTH





SHARE PRICE 2016 - KID ASA



REVENUES OF NOK

**1.294**  
MILLION

(NOK 1.188 million),  
an increase by 8.9 percent  
compared to 2015





# Our mission

*To inspire and make every  
home a beautiful one*



GREN HAMAM  
OKOIO





## ABOUT KID

Founded in 1937, Kid Interiør AS, a subsidiary of Kid ASA (listed on the Oslo Stock Exchange under the ticker symbol KID), operates as a home textile retailer in the Norwegian market. The company offers a full range of home and interior products, including textiles, curtains, bed linens and other interior products. We design, source, market and sell these products nationwide through our stores – which at the end of 2016 numbered 134 – as well as through our online sales platform. At the end of 2016 we had more than 900 employees.

The company is headquartered in Lier, and includes a modern logistics operation.

Kid's business model is based on ensuring full control of the value chain from the production and design phase, to direct product sourcing and manufacturing, primarily in low-cost countries in Asia, including China, India, Pakistan and Bangladesh. Over 97 percent of our products sold are under the Kid brand, with more premium products categorised in sub-brands such as Dekosol and Nordun.

Our strategy is to closely monitor and quickly adapt to underlying consumer trends and demands. Through in-depth market analysis, supported by our own design and sourcing competence, we bring high quality, yet value-for-money, product ranges to our customers.

Kid is the market leader within home textiles in Norway with 32 percent market share, which has been growing steadily every year by delivering consistent quality products at affordable prices. We have unbeatable brand recognition, with top-of-mind awareness well ahead of our peers. Research indicates a 97 percent familiarity of the Kid brand by Norwegian women.

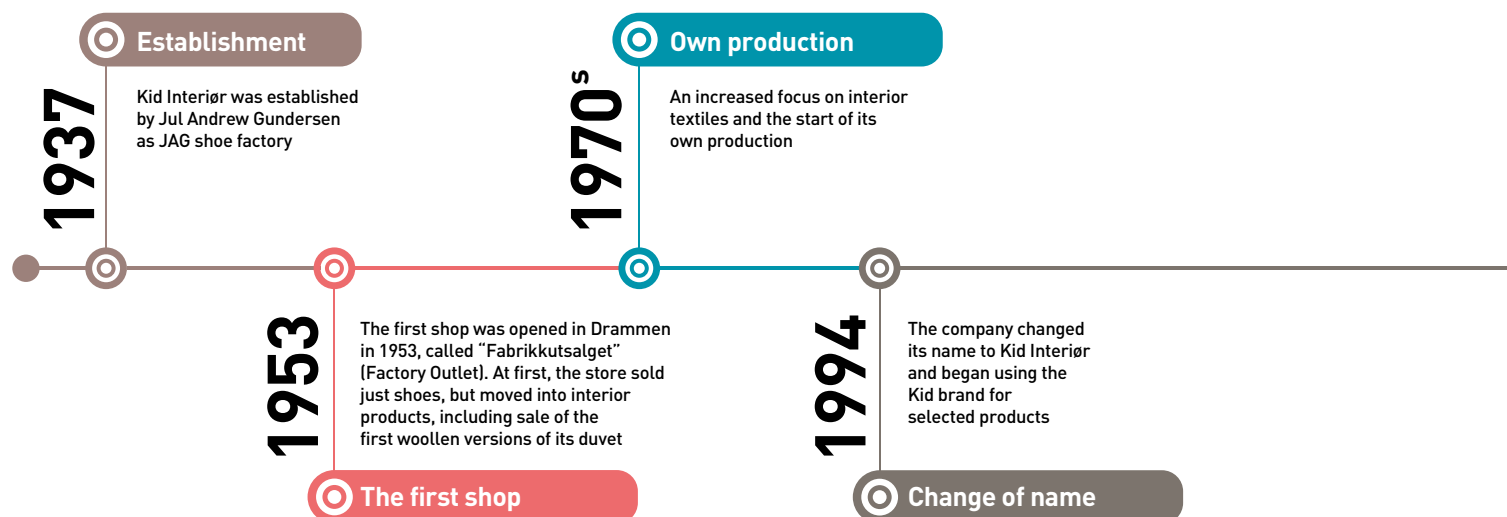
We have dedicated and experienced employees, who provide creative guidance to our customers and a commitment to developing the best product mix and most inspirational marketing communication on the market. The Kid spirit is driven by our commitment to our company values of entrepreneurial spirit, inspiration and dedication.

COMPANY FACTS

32%  
MARKET SHARE  
at the end of 2016

2.5%  
ONLINE SHARE  
of total revenues

5.9%  
LIKE-FOR-LIKE  
GROWTH  
in 2016





**11.9%**

**RETURN ON EQUITY**  
in 2016  
(based on adjusted  
net profit)

**1.294**

**MILL NOK**

in revenues  
for 2016

**924**

**EMPLOYEES**

9

**1997**

**Growing**

The third generation of the Gundersen family takes over the business, which has now grown to 24 stores

**2009**

**DNB Bank**

DNB Bank takes control of Kid Interior following a long-term debt default

**2005**

**Shares sold**

The Gundersen family relinquishes control of Kid as its majority shareholding is sold to IK Capital Partners. The Kid store network has grown to 92

**2012**

**Successful turnaround**

Gjelsten Holding takes 100 percent ownership of the company, which now comprises 111 stores after a successful turnaround

**2015**

**Oslo Stock Exchange**

The company turns public as its shares are listed on the Oslo Stock Exchange. Kid registers a strong financial performance and central warehouse and administration functions are relocated to new facilities in Lier



## DEAR SHAREHOLDERS,

Time flies, and it seems incredible that it is only 12 months since I was welcoming you to the first ever annual report for Kid ASA as a publicly listed company. And after what has been another eventful year, I am pleased to report on the activities and milestones that were achieved in 2016 - our first full year of trading on the Oslo Stock Exchange.

A year ago, I made reference to our hope that the 'robust business procedures and practices we have developed over recent years will help carry this success through 2016 and beyond'. I am happy to report that through the efforts of all of our staff and management we have indeed met this goal - and then some.

2015 can be considered as a year in which we rose to the challenge of out-of-the-ordinary events - our initial public offering, a strong increase in USD/NOK, moving to a new head office and the opening of our logistics centre. 2016 was marked by our ability to focus on further developing the fundamentals of our business.

At the heart of this success has been our design excellence and relationship with our customers. It will always be a priority for us to offer a range of products that, due to their design innovation, inspire our customers. Having an assortment that is on-trend in terms of colour, pattern and style is something that our design team has worked hard to achieve and increased revenues are testament to this success.

Customers expect home textile retailers to be constantly introducing new products to their range. This is why we travel around the world and work tirelessly in our design studio to seek out and develop design trends that will take our assortment forward. At Kid, between 30-40 percent of our product lines are renewed annually, meaning there is always something new for our customers to consider.

Keeping customers up-to-date with news, products and promotions - in essence, building a one-to-one relationship with them - was a focus for Kid in 2016. We are primarily doing this through our loyalty programme, the Kid InteriørKlubb, that by year-end had 620,000 members. Club member benefits include special offers, early campaign details and regular mails with design and product hints and tips. The success of the Kid InteriørKlubb can be seen by an increase in the average spend of customers during the year.

Our use of technology to improve the customer experience is increasingly important to us. We were, in fact, the first online store in Norway to begin using Vipps - the Norwegian mobile payment application designed for smartphones. And continuing our technology developments, the launch of our new online store in the first quarter of the year was a core element in our online strategy and a major contributor to

the 57 percent growth in our year-on-year online revenues. We also made visiting the online store a better experience however it was accessed, by ensuring that the visual platform of the site now looks the same, whether using a computer, tablet or smartphone.

The latest technology is also in use for the training of all of our staff - and is proving highly popular. In June, we introduced interactive learning software from Attensi that allows employees to build their knowledge of products and how to communicate core customer benefits. We will also be launching simulation-based training for our shop staff during 2017, which will allow them to further increase their customer service skills.

Kid has always been seen as a retailer that offers great value for money, but historically the high quality of our products was less recognised by shoppers. However, research conducted in 2016 shows that there has been a distinct change in perceptions - we are now seen as offering an assortment that combines both value for money and good quality. This positive change shows that our efforts to position Kid as a strong brand that can inspire customers with both a quality and value assortment is bearing fruit. This recognition comes at a time when the average age of our customers is falling - it is now around the 40-year-old mark - following a focused effort to attract younger shoppers, who are known to have strong purchasing power and will be our future customers.

Over the last 12 months we have opened five new stores across the country and closed one. We have also refurbished many of our stores as we see that this investment - in concert with our new stores - considerably increases revenues, helping to drive growth and profitability.

In May 2017 we acquired five new lease agreements in the Oslo area from Hansen & Dysvik. One of the lease agreements will be a relocation of our current store and will significantly strengthen our location at the largest shopping centre in Norway. The remaining four agreements will be for new stores which will complement and significantly strengthen Kid's market position in the Oslo area.





In 2016 there were some changes in our management team, with a new head of corporate & social responsibility (CSR), new head of store operations and head of human resources (HR). These appointments will provide us with a fresh new perspective on the business and renewed impetus when it comes to driving our operations forward.

We work hard to improve Kid's performance across the whole value chain. Our mission is to inspire and make every home a beautiful home. This year's activities confirm that we have taken significant steps in this direction.

It just remains for me to extend a warm note of thanks to everybody at Kid - all of whom have contributed to this effort - along with suppliers, partners and shareholders.

Yours sincerely,

Kjersti Hobøl  
CEO, Kid Interior AS



## KID MANAGEMENT REPORT

In 2016 Kid Interiør was able to focus fully on developing and maintaining our operational excellence, following a challenging 2015 which saw our initial public offering (IPO), headquarters move and logistics centre opening. From exciting new product designs and an increased assortment, through new stores and refurbishments and effective marketing, to improved staff training and improved customer service – every member of the Kid team stood up to the challenge, resulting in a year of strong performance.

Kid's stock market listing in 2015 gave us increased market exposure, ensured a raised level of professionalism throughout the company and, not least, generated pride among the workforce. The immediate aftermath of an IPO can, though, often produce an anti-climax following the excitement of the event. Without a strong management team and a workforce that understands the business objectives of the company it is easy to lose focus and direction. However, for Kid, after the IPO process we could again challenge ourselves to further improve the operational imperatives of the business.

Our success is based on a continually renewed and refreshed product assortment that supports our traditional lines of textiles and fabrics. It allows us to retain our core base whilst at the same time seeking new customers. The average age of our customer is continually coming down and presently stands at around 40 years-of-age, confirming that our strategy works.

Building a strong product assortment takes a great deal of time and effort - not to mention skill on the part of our designers - to spot trends and create innovative products. We travel the world looking for trends and our design team is working hard to offer our customers the best in textiles, bedding and home furnishing accessories. This task becomes more challenging each year as timelines are shorter than they used to be to meet the demands and expectations of our customers. We also systematically test new categories and price points to create growth opportunities for the future. The launch of a range of lamps in 2016 is an example of how we are successfully extending our product range. We also launched a range of teas and coffee in the run-up to Christmas. Earlier in the year we introduced organic towels and bed linens - a key element in our expanding range of environmentally-friendly product offerings. We have worked hard to further increase the quality of our lines, such as introducing Egyptian cotton bed linens and towels to appeal to our discerning customers.

In recent years, we have made established a market for younger customers in our Kid stores. During 2016, we began selling exclusively a range of Marcus and Martinus branded goods which specifically target the teenage segment. We

will continue to investigate further opportunities to market products for the younger generation.

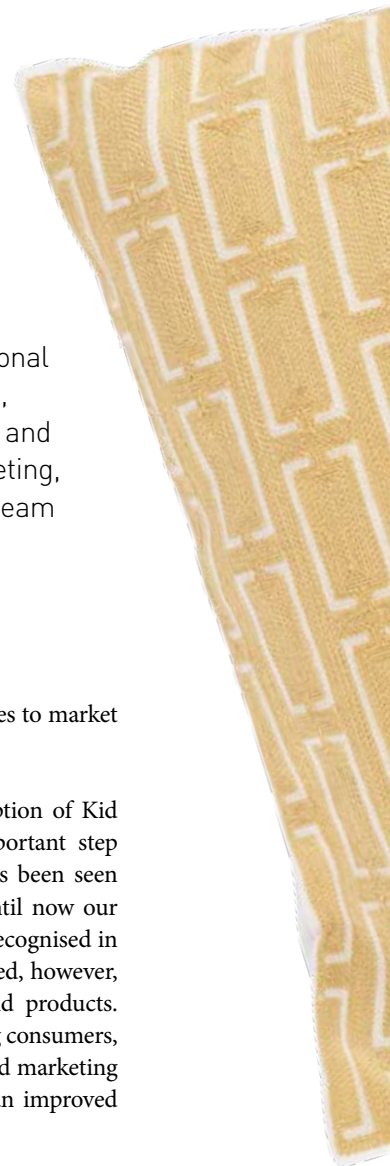
Our focus on quality is improving the perception of Kid among our customers and this took an important step forward in 2016. Value-for-money has always been seen as a strong characteristic of Kid. However, until now our efforts to offer quality products were not well recognised in the market. Consumer research last year showed, however, that quality is now seen as a strength of Kid products. Though it is certainly driven primarily by young consumers, our emphasis on new, high quality products and marketing messaging that focuses on quality is driving an improved perception across all our target customers.

Our foundation lines of merchandise - our traditional products - account for some 70-80 percent of our revenues. These traditional products are supplemented by seasonal lines, such as Easter, Christmas and summer, which make up a further 20-30 percent of sales. The remaining five percent of products are part of our trend lines, which feature a more modern style. The split between these three distinct product areas has remained fairly stable in the last few years and we expect this to remain the same in 2017.

In total, we stocked some 6,000 individual Kid products in 2016 and as much as 40 percent of this amount is new in-store each year. These products are either designed in-house or sourced at design fairs or through our suppliers. We maintain a base of main suppliers in order to be able to manage our activities - including CSR, new designs, logistics or best practice - for efficiency purposes.

Though a stable management team provides many benefits, it is, nonetheless, important to have a regular injection of new talent. During 2016, three new senior employees - from human resources, store operations and sourcing - along with a new head of CSR - joined our management team and we are sure that their enthusiasm and contribution of new ideas will help to drive our operational performance.

There were a number of technological developments in 2016 which have already had a positive impact on our interaction with customers. Early in the year we launched our new





*Kid Interiør is a nationwide company for textiles, home & living, offering a large variety of curtains, bed linens and other interior products.*



online store, enabling seamless browsing and purchasing of our offerings via smartphone, tablet or PC. Online sales were MNOK 32 by year-end, a growth of 57 percent compared to 2015. Though this figure was only 2.5 percent of Kid's total revenues, we believe online growth will increase rapidly in the coming months and years.

Equally significant from a technology perspective is the growth of the Kid InteriørKlubb, our customer loyalty program. By the end of 2016, we had over 620,000 members who are sent regular e-newsletters highlighting member offers, new products and discounts. The program generated measurable, positive results through the year, driving customer traffic to our physical and online stores.

While there is excitement at the development of Kid's online store, the bricks-and-mortar stores will remain the most significant source of revenues for a long time. The store refurbishments and new stores program has been the single largest contributor of revenue growth in recent years and the opening of five new locations in 2016 brought the total number of stores nationwide to 134. The new store openings were in Mortensrud (Oslo), Trekanten (Asker), Bekkestua (Oslo), Knarvik and AMFI Drøbak. The store at Slependen (Oslo) was closed. The refurbishment of stores also continued apace and this program will continue into 2017.

Whether online or physical stores, meeting customer product demand - meaning having stock in-store or delivered to homes in a timely manner - requires an efficient logistics operation. Following the move to a new logistics centre in 2015, in mid-2016 Kid signed an agreement to expand the logistics and warehouse site by 3,750 square metres to ensure capacity for continued growth.

In order to increase our store-level service, we invested considerable resources in retail staff training during 2016. We launched the Attensi interactive training program which allows store employees to increase their product knowledge via their smartphones or tablets at a time convenient to them when they are not on the shop floor. Kid recognises that customer service will be an important element in driving like-for-like growth, so in 2017 we will also be launching a virtual reality-like immersive training platform for shop

## Kjersti Hobøl

### Chief Executive Officer



Hobøl has been the Chief Executive Officer at Kid since 2010. She has extensive senior management experience from various companies, including the position of Senior Vice President at DNB NOR, CFO at Coop Øst and CEO at Princess Gruppen AS. In addition, Hobøl has served as a board member of Expert AS and Kid Interiør.

## Petter Schouw-Hansen

### Chief Financial Officer



Schouw-Hansen has been the Chief Financial Officer at Kid since 2011. Prior to this, he served as both an analyst and a Senior Consultant at Bearing Point. Schouw-Hansen has experience from operationalizing strategy, performance, M&A and management coaching within several industries, including retail. Schouw-Hansen holds an M.Sc from the Norwegian School of Economics, specialized in Finance (Norwegian: siviløkonom, NHH).

## Marianne Fulford

### Head of Sourcing



Marianne Fulford has been the Head of Sourcing at Kid since April 2016. Prior to her current position, she served as Category Manager at Kid since 2008 and she has been a board member (employee representative) of Kid Interiør AS since 2011. Further, she has served several years as both Head of Sales and Regional Manager at Tempur Norway AS and she has additional experience from other Marketing positions. Fulford holds a Master of Science in Marketing from the Norwegian Business School (Norwegian: Handelshøyskolen BI).



**Robert Steen**  
Logistics Director



Steen has been the Logistics Director at Kid since 2005. Prior to this, Steen served as Domestic Director of Operations at B.H Ramberg AS, and Coordinator in Sties Termotransport AS.

**Mona Kotte-Eriksen**  
Head of Marketing



Kotte-Eriksen has been the Head of Marketing at Kid since 2010. Prior to this, she served as advertising manager at IKEA for nearly 13 years. In addition, Kotte-Eriksen served as a Media Consultant at Carat Mediasystem and has held various sales positions within the media and advertising industry. She holds a degree in Business Graduate Economics, specialising in Marketing and Personnel from the Norwegian Business School (Norwegian: Handelshøyskolen BI).

**Svein Faksvåg**  
Head of Store operations



Faksvåg has been head of store operations since 2016. Prior to this he held various positions within Gresvig Holding's sports retail businesses. These include, most recently, two years as sales director at both G-Sport and G-MAX. Faksvåg was previously an officer in the armoured battalion of the Norwegian Army. He holds an engineering degree from NTNU, Trondheim.

staff. This will help us to teach our retail staff how to work better and smarter to continually improve service levels.

A number of activities and events were undertaken during 2016 to strengthen Kid's long-running corporate social responsibility (CSR) initiatives. The company appointed a head of CSR and in the second half of the year Kid joined the Better Cotton Initiative (BCI), a global not-for-profit organisation working for improved cotton standards throughout the supply chain. In addition, the company supported the Pink Ribbon breast cancer awareness campaign, raising over MNOK 2.8 in the process. These and other initiatives are set out in further detail in the CSR section of the annual report.

In our 80<sup>th</sup> year since Kid first began trading, we can look back on the development of the organisation with pride, but, more importantly look forward to a future full of optimism. There is no doubt we are better - and still improving - at doing what we do. We are working hard to push our value of 'dedication to the customer' throughout our operation and we are achieving this. We have various channels where the customer can interact with us; we are continuing to build our physical store presence; and we have put in place a strong customer loyalty program. All these activities in 2016 have helped us to build a strong and successful retail offering, consolidating our traditional customer base while bringing in new and younger customers.

Despite an anticipated increase in inflation forecast for Norway in 2017, the outlook for the retail sector is expected to improve in the coming 12 months. We fully expect to continue to steadily improve our own revenues over this period and are confident that we will also be able to strengthen our market position through 2017.

We see positive development potential for driving like-for-like growth across the year, at the same time as opening up new customer opportunities. Through our capable and dedicated workforce, we will continue our growth-enhancing strategies while maintaining strong profitability.





Administration offices – a combination of free setting and office cubicles is used to optimize work processes.









# NATIONWIDE PRESENCE

Kid Interiør had 134 stores by the end of 2016.



## AT A GLANCE 2016

FINNMARK  
2 STORES

The online store increased revenues to

**NOK 32.0 million**

(NOK 20.4 million)

Gross margin of

**60.2 %**

(58.6 percent)

The board of directors  
proposes a dividend of

**NOK 2.00**

per share for 2016

The board of directors will propose  
to the annual general meeting that  
dividends are paid out twice yearly  
from this year, expected to be in  
May and November, effective from  
November 2017.

Adjusted EBITDA of

**NOK 169.3 million**

(NOK 186.7 million)

**Outperformed the market**

within the home textiles sector, according to data from Statistics Norway

**Opened five new stores,**

closed one store, refurbished three stores and relocated six stores

HEDMARK  
6 STORES

OPPLAND  
6 STORES

BUSKERUD  
8 STORES

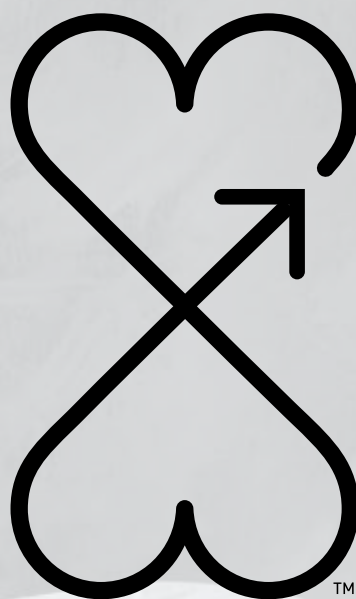
AKERSHUS  
18 STORES

OSLO  
10 STORES

ØSTFOLD  
9 STORES

VESTFOLD  
7 STORES





## CORPORATE SOCIAL RESPONSIBILITY

Kid recognises the value and importance that corporate social responsibility (CSR) has to play in any progressive organisation today, both for employees and the wider community. As well as making our customers' homes more colourful and attractive places in which to live, we appreciate that throughout the supply chain we must act responsibly towards our customers, employees, suppliers and the environment.

In 2016, we started to transform our CSR activities through an initiative called "Act with your heart" (Handle med hjertet). In implementing "Act with your heart" we want to clearly define for our partners, employees and external stakeholders how Kid uses its commitment to create and maintain sustainable, safe and well-managed working conditions in our supply chain. We also want to protect the environment by creating more sustainable products and processes and delivering safe, quality products to the consumer, along with contributing to local communities. To help in these goals, in 2016 Kid appointed a head of CSR, who is also a member of the management team.

We already have in place a number of initiatives, both internally and in conjunction with partners, that are making a difference to the way we will conduct our business in the future.





## ETHICAL SUPPLY CHAIN

In 2008, Kid became a member of the Initiativ for Etisk Handel (IEH), the Norwegian sister organisation of the international Ethical Trading Initiative (ETI), a resource centre and a driving force for ethical trade. IEH works to promote responsible supply chains so that international trade safeguards both human and labour rights, sustainable development and sound environmental management.

Meeting ethical standards is of major importance to Kid, and we are committed to working only with companies that have appropriate working and environmental conditions. As a member of IEH we are actively working with our suppliers to ensure this. During 2016, we re-examined our Code of Conduct and updated it so it is in alignment with the ETI, the leading international alliance of companies, trade

unions and NGOs that promotes respect for workers' rights around the globe. This update makes it easier for our suppliers to follow up on the code as it now adheres to an international standard, as well as giving clear reference to the legislation behind the different requirements in the code.



Initiativ for etisk handel

Kid is also a member of Grønt Punkt Norge – Green Dot Norway – a national, non-profit, member-based organisation set up to manage the collection and recycling of used packaging. Kid partners with Grønt Punkt Norge to manage the proper collection and recycling of all our plastic, metal and glass packaging, beverage cartons and corrugated cardboard in Norway. By using this service, we are licensed to use the Grønt Punkt mark on our packaged products.

## SAFE AND QUALITY PRODUCTS

Kid wants all of our customers to be certain in the knowledge that there are no products that they buy from us that are detrimental to health or environmentally hazardous. Through continuous testing, we ensure that all the products we offer are safe and produced under strict production techniques.

All of our fabrics carry the Oeko-Tex label. This means that they are produced to conform to the current Oeko-Tex Standard 100, which sets strict requirements on the level of chemicals used in clothing products. For example, all of our baby fabric products meet the Oeko-Tex Standard 100, Class 1 - the most stringent requirement, with very low limits for chemical residues – while linen, bed sets, blankets and pillows for adults are produced according to Oeko-Tex Standard 100, Class 2.

Oeko-Tex has test laboratories throughout the world to ensure equal testing methods and common standards. A certificate number and the name of the test institute which carries out the product's testing must be on the Oeko-

Tex label in order to be valid. This tracking capability is one of the principles of the certification system and is the consumer's assurance that the product is legally marked.

Additionally, Kid is working with other certification schemes, including GOTS and Swan labelling. GOTS (Global Organic Textile Standard) is an international labelling scheme for organic textiles, which demonstrates that they meet environmental, health, social and worker safety criteria throughout the production process.



The Swan is the official Nordic eco-label and demonstrates that a product is a good environmental and ethical choice. The Swan label has strict requirements for the whole lifecycle of the product. This includes the choice of raw materials, how the product is produced (including working conditions), and how it may be recycled. Kid's candles carry the swan label as they are made using animal fats rather than palm oil, whose production is a major contributor to rainforest deforestation and threatens animal diversity. Kid napkins, selected sheets and pillow covers also carry the swan label.

## ENVIRONMENTAL MEASURES

In 2016, the company joined Textile Exchange. Textile Exchange is a global non-profit organization that works to make the textile industry more sustainable. Through our membership, we have started the process of material change. This includes using more sustainable fibres, such as responsible wool and responsible down. Textile Exchange identifies and shares best practices regarding farming, materials and processing so we can reduce the impact on the world's water, soil, air and human population.



that the handling of fabrics occurs in an ethical and responsible manner, and is a member of Fundraising Control in Norway.

Kid stores act as reception centres for unwanted interior fabrics – such as curtains, tablecloths, towels and bed linen – which are dropped off by the public. Kid then sends on these fabrics for use by UFF. In 2016 KID collected 8,580 kg of used interior textiles, which contributed to a reduction of an equivalent of 43 tonnes of CO2. For 2017, we aim to more than double this figure.

Kid is actively working to reduce concentrations and quantities of hazardous materials and we use an industry-standard chemical guide that lays out strict requirements for the use of chemicals in production. We encourage our suppliers in their efforts to produce the lowest possible levels of local contamination during production and the least chemical substance residues in their produced goods. We also focus on using the most appropriate materials and try to produce the least amount of waste products as possible. Alessia towels are a good example of this, where the towels are only made from textile remnants from other towel productions.

We have established a textile recycling scheme in collaboration with UFF Norway for the collection, re-use and recycling of used interior textiles. UFF Norway operates a large humanitarian aid network, developed through projects related to the re-use of fabrics and textiles. The organisation has developed a robust system for ensuring

One specific issue Kid began to focus on in 2016 was microplastics. Microplastics present a threat to marine life, as well as being a pathway for the transport of harmful chemicals through the food chain. As a direct result of our focus on this subject Kid has, in a first phase, decided to phase out the use of all plastic shopping bags in our stores, and will only supply paper bags to our customers. The first tests with paper bags were conducted in December 2016. Following positive feedback, this initiative will be fully implemented across our stores in the course of 2017.

During 2016, Kid continued the replacement of old-fashioned lighting with the latest LED lighting systems. This new energy-saving lighting is also in use throughout our headquarters and logistics centre. Further initiatives include the development of an environmental audit which will analyse, among other things, the company's use of electricity, with a view to improving our environmental footprint.





## CHARITABLE ACTIVITIES

Kid has determined that it will make the greatest positive impact on the community by supporting a single charity and doing all we can to raise funds and awareness of a single cause. For this reason, the company has chosen to support Pink Ribbon, a breast cancer awareness campaign. Kid is among the main



sponsors of the Pink Ribbon campaign in Norway. Every October, we sell Pink Ribbon pins and our bespoke-designed

Pink Ribbon products in all of our Kid stores, with all profits going directly to the campaign. In 2016, we contributed NOK 2.8 million to Pink Ribbon.

## SUPPLIER PARTNERSHIPS

Kid Interior purchases goods from many parts of the world, which involves a large and complex supply chain with many links. We do not own production sites ourselves, so it is particularly important for us to know that both workers and the environment are well taken care of within supplier companies.

Kid recognises that we need to work closely with our suppliers in order to monitor and assist them in their own social responsibility initiatives – particularly in relation to working conditions, environmental impact and business conduct.

To ensure that our production is undertaken in ethical conditions, all our suppliers are obliged to sign and comply with our Code of Conduct and restricted substance requirements for chemical content. These agreements will ensure sound employee working conditions, that no child labour is in use, that environmental considerations are taken into account when it comes to raw materials – especially in relation to the protection of exotic woods and forests – and that there is good animal welfare.

We conduct regular business and factory site audits of our suppliers – most of whom are operating in China, India, Pakistan and Bangladesh – in order to evaluate their CSR

performance. Here, the health, safety and environment, wages and working conditions, along with business practices, are evaluated, so we may vouch for a CSR-compliant supply chain.

Audits are undertaken every three-to-six years. If issues are discovered during an audit, a corrective action plan is created with clear timelines. Wherever possible and appropriate, Kid will work with the supplier to tackle non-compliance issues by changing routines or implementing other changes. It is neither in our interests, nor those of our suppliers, to drop them as a partner if we can help them to meet ours and their social responsibility targets.

As an additional means of driving change and compliance in our supply chain, as well as our partnership with IEH and ETI, we are now working with QuizRR. QuizRR is helping global buyers to manage risk, helping suppliers to generate business and training millions of workers on their workplace rights and responsibilities. We have started a pilot with two factories to train both management and workers on employee engagement which focuses on improving dialogue and engagement at the workplace. Improved dialogue should empower the workers to improve their working conditions, both when it comes to environment, health and safety, but also regarding remuneration.

## DOWN PRODUCTS

Kid is proud to offer a wide range of quality products from NORDUN, our own brand of duvets and pillows adapted specifically to the Norwegian climate.

All of our down products are subject to regular laboratory testing for purity, correct down content – duck or goose feather – fill-



weight and down-proofing of the cover. They are also produced in an ethical manner - which means that the animals are neither force-fed, nor the down and feathers picked from live animals. All of our down products carry a Down Pass certification, issued by the European Down and Feather Association (EDFA) and controlled by the International Down and Feather Testing Laboratory (IDFL).

## COTTON PRODUCTS

The cotton plant is grown on approximately 2.5 percent of the world's arable land, however approximately 25 percent of all pesticide and 10 percent of all herbicides are used to produce cotton. In cotton farming today there is also heavy use of fertilizer and water.

More than 50 percent of our total product range contains cotton, so in 2016 Kid decided to transform our cotton usage to meet the highest possible environmental standards. We have set a goal that by 2020 Kid will procure only 100 percent-sustainable cotton. This change will happen through the increased use of organic cotton, by purchasing Cotton made in Africa-, Swan- and GOTS-certified products, but mainly through our membership of the Better Cotton Initiative (BCI).

We are a proud member of the BCI, which exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the industry's future.



Better Cotton means producing cotton in a way that cares for the environment through processes that minimise the negative impact of fertilisers and pesticides, and care for water, soil health and natural habitats. In addition, producing Better Cotton can also improve farmers' livelihoods and increase access to global markets.

In 2016, KID also became the first Cotton Made in Africa (CmiA) Demand Alliance Partner in Norway. By cooperation with CmiA we support fair working conditions for smallholder farmers in Sub-Saharan Africa and help to protect the environment. All home textiles labelled with the CmiA quality label are produced on the African continent and thereby create job opportunities within the African textile value chain. Nord towel was the first product to be sourced with CmiA-certified cotton.

## FURTHER DETAILS

For more details of Kid's corporate social responsibility programme, please visit: [www.kid.no/samfunnsansvar](http://www.kid.no/samfunnsansvar)



# CORPORATE GOVERNANCE AT KID ASA

## 1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE PRINCIPLES

Kid ASA (Kid or the company) sees good corporate governance as key to creating shareholder value through the principles of transparency, fairness and trustworthiness. The company has developed these principles in compliance with laws, regulations and ethical standards. The Norwegian Corporate Governance Board has, for companies listed on the Oslo Stock Exchange, issued the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). Kid complies with this Code of Practice and it is detailed in this report with section numbers that refer to the The Code of Practice is articles. The Code of Practise is available at [www.nues.no](http://www.nues.no)

## 2. BUSINESS

Kid's objectives are defined in the company's articles of association and state that: "The business activities of the company are commercial activities, mainly based on the purchase and sale of interior textiles through import, wholesale, retail, franchise and other related activities, including investments in other enterprises and relevant real estate property". (Articles of association are made available at [investor.kid.no](http://investor.kid.no))

The company's strategy is to ensure growth while maintaining cost control, in line with previous years, to ensure a continued strong cash flow. Growth will be achieved through:

- a. Concept development to ensure like-for-like sales growth
- b. Opening of new stores in markets with under-representation
- c. Upgrading stores through new fit-outs; and
- d. Digital footprint and e-commerce

## 3. EQUITY AND DIVIDENDS

Kid considers its equity to be adequate considering the group's strategy and risks profile. The dividend policy is to pay out 60-70 percent of adjusted net profit. Adjustments are made for any significant one-off events.

The board of directors does not currently have the authority to approve dividends. The board has proposed a dividend of NOK 2.0 for 2016, which equals 68 percent of adjusted net income. The dividend is subject to approval at the annual general meeting (AGM) on 11 May 2017.

The board does not have a mandate to increase the company's share capital.

## 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Kid has one class of shares.

Any purchase or sale by the company of its own shares will either be carried out through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Any transaction between the company and a related party will be based on arm's length terms. If relevant, the transaction will be supported with a valuation obtained from an independent third-party. The company has guidelines to ensure that board members and senior management disclose any material interest to the board in transactions where the company is a party.

## 5. FREELY NEGOTIABLE SHARES

All shares in the company have equal rights and are freely tradeable.

## 6. GENERAL MEETINGS

The general meeting is the arena in which all investors can exercise their right to make fundamental decisions for the company.

The company's goal is to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that the meetings are an efficient forum for shareholders and the board to express their views.

Notices of general meetings are made available at [investor.kid.no](http://investor.kid.no) and a separate notice to the Oslo Stock Exchange no later than 21 days prior to the annual general meeting (AGM). The date of the meeting is made available in the financial calendar. The notice clearly states deadlines for shareholders to give notice of attendance and provide information on the procedure for casting their votes by proxy.

All supporting documentation for the AGM is prepared in sufficient detail and comprehension to allow shareholders to form a view on all matters to be considered at the meeting. The information will be accessible on the company's website. In accordance with the Norwegian Public Act a shareholder can demand that documents concerning matters that are to be dealt with at a general meeting be sent to him or her by ordinary mail.

The board of directors and the person chairing the meeting will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.





Members of the board, members of the nomination and the auditor will attend the general meeting.

## 7. NOMINATION COMMITTEE

The general meeting has elected a nomination committee and approved a set of guidelines for the committee's work. The nomination committee is also laid down in the articles of association. The nomination committee's main purpose is to propose candidates for election to the board and their respective remuneration. In order to solve this, the committee has contact with shareholders, the board of directors and the company's executive management.

The nomination committee consists of two members, who are independent of the board and the company's executive management. The current members are Sten-Arthur Sælør and Jostein Devold.

## 8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITIONS AND INDEPENDENCE

In accordance with the articles of association, the board of directors of Kid shall consist of a minimum of three and a maximum of nine members, as decided by the general meeting.

Kid does not have a corporate assembly, but instead has three employee representatives on the board of Kid Interiør AS. The five board members of Kid are also members of the board of Kid Interiør AS. Board meetings for both companies are held concurrently, at which Kid Interiør AS is responsible for reporting day-to-day operations and employees, while Kid ASA, as the listed parent company, is responsible for equity, long-term debt and the incentive programme for executive management.

The composition of the board of directors ensures that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. The board members have a combined experience in the fields of retail and consumer goods, as well as finance, property and in other listed companies.

40 percent of the board members are women, and the executive management team are not members of the board. The shareholder-elected members of the board have a term of one or two years and the chairman is elected by the general meeting.

## 9. WORK OF THE BOARD OF DIRECTORS

The board of directors produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chairman of the board and CEO have regular contact between the meetings to evaluate the

running of the business and they keep the board updated on any matters that need to be addressed. In the event where the chairman has been personally involved in consideration of any material matter, another board member will chair the board's consideration of this particular matter. Board meetings always include the CEO's perspective on current events and progress of business plans, while the CFO provides the board with an overview of the company's financial development and forecasted cash flow.

The board evaluate its performance and expertise annually.

The board has established an audit committee consisting of three board members.

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

Kid is exposed to financial risks related to foreign exchange (FX) and interest rates. FX risks are managed by hedging six months forward. The board deems the interest risks as manageable given the current debt levels. Other operational risk areas are reported to the board on a regular basis.

The company provides the board with monthly reports on the group's financial performance and prepares quarterly reports that are made public. The audit committee and the auditor together review the quarterly and annual reports before they are approved by the board.

The board of directors, with assistance from the audit committee, carries out regular, or at least annual, reviews of the company's most significant areas of exposure to risk and its internal control arrangements.

## 11. REMUNERATION OF THE BOARD OF DIRECTORS

The board of directors are presented separately in the annual report.

The nomination committee proposes the remuneration of the board of directors at the annual meeting. The proposition takes into account the board's responsibility, expertise, time commitment and the complexity of the company's activities. The board has one sub-committee in the audit committee.

The remuneration of the board in 2016 is disclosed in the notes to the consolidated accounts.

Members of the board of directors and/or companies with which they are associated do not, as a rule, take on specific assignments for the company in addition to those as members of the board. If, however, they do take on such assignments these will be disclosed immediately to the full board and the remuneration for such additional duties will be agreed by the board.

## 12. REMUNERATION OF EXECUTIVE MANAGEMENT

The board of directors has a set of guidelines for the remuneration of executive personnel. The board also directly determines the remuneration for the CEO. The CEO is, in consultation with the chairman of the board, responsible for determining the remuneration of other members of the executive management.

The board of directors have approved an incentive programme for executive management which aims to align the financial interests of Kid's senior management and its shareholders. The incentive programme is based on EBITDA budget achievement and includes no share options or rights.

The board of directors will prepare a statement on the remuneration of executive personnel as a separate appendix to the agenda for the AGM. The remuneration for the executive management is also disclosed in the notes to the consolidated accounts in the annual report.

## 13. INFORMATION AND COMMUNICATIONS

Kid has established an investor relation policy (available at [investor.kid.no](http://investor.kid.no)) that clearly states that any communication with shareholders outside the company's general meeting will take place in accordance with applicable equal treatment requirements and applicable legislation regarding inside information.

The company publishes a financial calendar for the upcoming year in the fourth quarter. The calendar includes an overview of major events such as its AGM, publication of interim reports, publication of revenue reports and any planned public presentations.

All information that is distributed to shareholders is made available simultaneously on the company's web page. All information which the company is required to disclose will be given in English.

## 14. TAKEOVERS

Kid has guidelines for how it will act in the event of a takeover bid in accordance with its code of conduct. These guidelines clearly state that the board will not take any obstructive action unless it is agreed upon at the general meeting. In the event of a takeover bid, the board will act in the best interests of the shareholders and ensure that the company's operations is affected as little as possible.

The shareholders will be provided with timely and sufficient information in the case of a takeover bid, with the intention to enable the investors to form a point of view. The board of directors will also issue a statement making

a recommendation as to whether shareholders should or should not accept the offer.

## 15. AUDITOR

The auditor annually submits to the audit committee the main features of its plan for the audit of the company. The auditor participates in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor presents annually to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The CEO and CFO of Kid are present at all board meetings. Once a year the board of directors has a meeting with the auditor at which neither the chief executive nor any other member of the executive management is present.

Kid has clear guidelines for the use of the auditor by the company's executive management for services other than the audit. The board of directors reports the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.





# BOARD OF DIRECTORS' REPORT

The Kid group was established on 29th July 2005 and consists of Kid ASA, the parent company for Kid Interiør AS and Kid Logistikk AS, together defined as “the group”, “the company” or “Kid”. Kid ASA was formerly known as Nordisk Tekstil Holding AS and, later, Kid AS, upon the initial public offering (IPO) on 2nd November 2015.

The business activities of the company are commercial activities, mainly based on the purchase and sale of interior textiles through import, wholesale and retail, along with other related activities, including investments in other enterprises and relevant real estate property.

Kid Interiør is the leading specialist home textile retailer in Norway, with a nationwide portfolio of 134 directly-owned stores, in addition to an online sales platform. The product assortment ranges from curtains and bed linens to home accessories and decorations. Kid's strategy is to provide an attractive value proposition to customers through quality Kid-branded products and an inspirational assortment. These products are offered at affordable prices both online and through stores located in Norway's major population centres. The main office and warehouse is located in the municipality of Lier.

## SUMMARY OF THE YEAR

While 2015 can be considered a year in which Kid focused on a series of one-off events – the IPO, setting up in a new headquarters and the opening of the new logistics centre – 2016 was about operational focus. The design team introduced new lines that were well received by customers – including high quality linens, organic towels, a range of teas and coffees and an exclusive Marcus and Martinus collection. Five new stores were opened, and one was closed, along with a number of refurbishments. Online revenues increased significantly, while the customer club proved a particular success, helping to drive brand loyalty. All of these individual activities helped to collectively drive an increased performance for the business, resulting in an 8.9 percent rise in full-year revenues and an increase of 33.7 percent in adjusted EBIT. For the seventh consecutive year we have increased our market share. The marked share was 32 percent at year end 2016.

## FINANCIAL RESULTS

*(Figures from last year are in brackets, unless otherwise specified)*

### INCOME STATEMENT FOR THE GROUP

Revenues for 2016 were MNOK 1,293.9 (MNOK 1,188.4), which represents an increase of 8.9 percent over 2015. The like-for-like sales growth<sup>1</sup> was 5.9 percent. Online sales grew 57.2 percent in 2016, accounting for 2.5 percent of total

revenues. During 2016, Kid opened five new stores, closed one store, refurbished three stores and relocated six stores.

Gross margin<sup>2</sup> was 60.2 percent (58.6 percent) for 2016. Kid ASA early-adopted the IFRS 9 standard and hedge accounting in the fourth quarter of 2016 after its endorsement by the European Union in November 2016. The standard was applied respectively, with initial application from 1 January 2015. All references to historical financial figures in this report are based on IFRS 9. Kid ASA hedges 100 percent of its USD/NOK goods purchases approximately six months ahead by entering into foreign exchange contracts. Hedge accounting in accordance with IFRS 9 allows the currency gain/loss to be measured and recognised in the same period as the relevant goods are sold, and hence better reflects the hedging strategy.

Other operating expenses, including employee benefit expenses, ended at 44.8 percent of 2016 revenues compared to 46.6 percent in 2015. The decrease was due to costs related to the relocation of the central warehouse and the IPO in 2015. Adjusted for these one-off costs, the OPEX was 45.8 percent for 2015, which indicates an underlying increased cost-efficiency, year-on-year.

Operating profit (EBIT) was MNOK 172.1 (MNOK 119.2). Adjusted for one off-costs, the EBIT was MNOK 172.1 (MNOK 128.7). The increase was due to revenue growth, increased gross margin and improved cost-effectiveness.

Net financial expenses amounted to MNOK 12.7 (MNOK 20.2). The net financial expenses for 2015 contain interest expenses and unrealised gains related to an interest swap that was terminated in connection with the IPO. Adjusted for the interest swap, net financial expenses ended at MNOK 18.4 in 2015. The decrease was driven by reduced net interest-bearing debt and lower interest rates.

Net income for 2016 was MNOK 134.0 (MNOK 101.3). Adjusted net income amounted to MNOK 119.4 (MNOK 80.4). Net income is adjusted for a change in deferred tax related to trademark of MNOK -14.6 (MNOK -29.2) caused by the reduced tax rate from 25 percent (27 percent) to 24 percent (25 percent) with effect from 1 January 2017 (1 January 2016).

<sup>1</sup> Like-for-like are stores that were in operation at the start of last year's period and the end of the current period. Refurbished and relocated stores, as well as online sales, are included in the definition.

<sup>2</sup> Gross profit is revenue less the cost of goods sold (COGS)



Adjustments overview (NOK million)	FY 2016	FY 2015
Cost of relocation to new warehouse		3,7
Cost related to IPO		5,8
EBITDA adjustments	0,0	9,5
SWAP		1,8
Profit adjustments before tax	0,0	11,3
Deferred tax effect of lower tax rate	-14,6	-29,2
Tax effect of profit adjustments		-3,0
Net profit (loss) adjustments	-14,6	-20,9

BALANCE SHEET FOR THE GROUP

Total assets were MNOK 2,102.9, an increase of MNOK 82.0, mainly due to higher cash at year-end (MNOK 61.5). Fixed and intangible assets increased by MNOK 5.8 due to investments in stores and the online platform of MNOK 34.8, while depreciation was MNOK 29.0. Inventories amounted to MNOK 222.2 at the end of the year, an increase of MNOK 17.9, due to a planned rise in safety stock and inventory build-up for Q1 2017. Total receivables were MNOK 37.3, a decrease of MNOK 3.2 from 2015. This decrease was partly due to MNOK 8.4 of unrealised currency gains (MNOK 14.2) and an increase of MNOK 2.6 in trade and other receivables.

Net interest-bearing debt was MNOK 234.7 (MNOK 295.4). Net interest-bearing debt was 1.2 times (1.9 times) higher than adjusted EBITDA. The decrease was due to improved profitability and cash flow in 2016. Long-term debt at the end of 2016 was MNOK 525 (MNOK 525) and cash and bank deposits were MNOK 291.9 (230.4). The group has an additional overdraft facility of NOK 100 million. The equity ratio at the end of the year was 48 percent compared to 46 percent in 2015.

CASH FLOW FOR THE GROUP

Cash flow from operations was MNOK 167.8 (MNOK 128.6). Significant changes from 2015 included increased inventory build-up, with a cash effect of MNOK - 17.9 (MNOK -3.3) and the cash effect of changes in financial derivatives of MNOK -7.9 (MNOK 7.3).

Cash flow from investments was MNOK -34.8 (MNOK -40.6). The investment level in 2016 reflects the opening,

Henrik Schüssler  
Chairman  
Appointed: June 2012



Schüssler (1963) is currently CEO and member of the board of Gjelsten Holding AS. He has previously worked as an accountant/consultant with Ernst & Young, and as CFO and CEO of Norway Seafoods. Schüssler has a degree from the Norwegian School of Business and Administration in chartered accountancy. He is a Norwegian citizen, and resides in Norway.

Bjørn Rune  
Gjelsten  
Board Member  
Appointed: June 2012



Gjelsten (1956) is the owner and Chairman of Gjelsten Holding AS. He has extensive experience as an entrepreneur and industrial owner, as well as numerous positions as CEO and/or chairman in various companies. Gjelsten holds a Master of Business and Economics from the University of Colorado. He is a Norwegian citizen, and resides in Norway.

Karin  
Bing Orgland  
Board Member  
Appointed: August 2015



Bing Orgland (1959) is currently a professional board member in various companies within the financial, seafood, industry and real estate sectors, including GIEK, Storebrand ASA, Grieg Seafood, Hav Eiendom AS and INI AS. She has extensive experience from various management and board member positions within the DNB Group between 1985 and 2013. Bing Orgland resides in Oslo, Norway and holds a Master of Business and Economics degree from the Norwegian School of Economics.

**Pål Frimann  
Clausen**

**Board Member**  
**Appointed: December 2010**



Clausen (1947) is currently a board member in Kid ASA, Kid Interiør AS, Expert AS and Nye Notabene AS, within the retail sector. He has extensive experience from various positions within the DNB Group between 1980 and 2014. Clausen resides in Oslo, Norway, and holds a Master of Business and Economics degree from the Copenhagen Business School.

**Vilde Falck-Ytter**

**Board Member**  
**Appointed: August 2015**



Falck-Ytter (1967) is currently employed in Sisa Invest AS, a privately held, family owned investment company within real estate development, performing tasks undertaking administration, accounting and contract negotiations. She also holds several board member positions in companies related to Sisa Invest AS. Falck-Ytter resides in Nannestad, Norway and holds a law degree from the University of Oslo, as well as a Business Administration degree from Handelsakademiet.

relocation and refurbishment of stores, and development of the IT platform, as well as investments in developing a new online store launched in April 2016. Cash flow from financing was MNOK -72.9 (MNOK 44.1), negatively affected by a dividend payment of MNOK -61.0 (MNOK 0) and the primary share issue in 2015, providing the company with a net MNOK 169.5 in cash. The debt instalments and swap termination had a negative cash impact of MNOK 95.9 in 2015, whereas in 2016 the company did not pay any instalments.

Net changes in cash and cash equivalents came to MNOK 60.1 (MNOK 132.1), predominantly driven by increased profitability, which was offset by the 2015 net effect of the primary issue of shares, as well as debt instalments.

Net changes in cash and cash equivalents came to MNOK 60.1 (MNOK 132.1), predominantly driven by increased profitability which was offset by the 2015 net effect of the primary issue of shares, as well as debt instalments.

**ANNUAL RESULT ALLOCATION**

The board of directors proposes a dividend payout of NOK 2.0 per share. The proposed dividend equals 68 percent of adjusted net income, which is within the current dividend policy of 60-70 percent. Adjustments were made for the deferred tax effect of a lower tax rate.

Remaining profits were transferred to other equities.

Dividend payout	NOK 81 million
Transferred to other equity	NOK 41 million
<b>Total allocated</b>	<b>NOK 122 million</b>

**GOING CONCERN**

The financial statement has been prepared in accordance with IFRS standards as adopted by the EU and under the going concern assumption. The board of directors has made appropriate enquiries and formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the board of directors continues to adopt the going concern basis in preparing the financial statements in accordance with the Norwegian Accounting Act and the Norwegian Company Act. This is further supported by the group's budgets and strategy.

As of the end of the accounting year 2016, the equity ratio was 48 percent. The board of directors is of the opinion that the equity is sufficient given the company's operational commitments, future plans and achieved results.



**ORGANISATION, WORKING CONDITIONS AND THE ENVIRONMENT**

**THE WORKING ENVIRONMENT AND PERSONNEL**

The group had a total of 924 employees, which corresponded to 439 full-time equivalents at the end of 2016. The parent company has no employees.

The group keep records of total absence due to sickness, in accordance with laws and regulations. Total sick leave was 5.9 percent in 2016 (6.2 percent in 2015), of which 1.0 percent was characterised as short-term leave and 4.9 percent as long-term leave. Sick leave is monitored on a monthly basis at store and department level and appropriate actions are taken for the sick leave that the company can influence. The working environment is monitored continuously and is considered to be good.

During the year, no severe workplace accidents or other accidents occurred or were reported that resulted in major personal injuries or material losses. All divisions of the group operate with a dedicated focus on occupational health, environment and safety.

**GENDER EQUALITY AND DISCRIMINATION**

The group encourages diversity and pursues a non-discrimination policy, with full gender equality. Furthermore, the group promotes 'equal pay for equal work', whereby the most qualified shall hold a position, regardless of gender. The group promotes the objective of laws against discrimination through recruitment, salary and employment conditions, promotion, development possibilities and protection against harassment.

Despite an average acceptable gender equality, there are still some traditional patterns of employment within both the retail division and the warehouse. More than 95 percent of in-store employees are women, while more than 95 percent of the employees in the warehouse are men. Approximately 90 percent of employees at the head office are women and the management team consists of four women and five men. The board of directors of the parent company consists of three men and two women.

The group aims to be a workplace in which no discrimination occurs based on disabilities. As far as possible, individual adjustments are made to adapt the workplace and work tasks for employees or job applicants with disabilities.

**ENVIRONMENTAL REPORTING**

To the knowledge of the board of directors, the group's operations do not result in significant pollution or emissions that may cause damage to the external environment. Furthermore, the group's operations are not regulated by licenses or other duties.

Kid believes that environmental and financial performance often go hand-in-hand and is constantly striving to identify and implement measures that support this. One of the group's main areas of environmental focus is in the reduction of power consumption through measures based on time-monitoring of consumption, as well as the installation of LED lighting in all stores.

The group works actively to prevent adverse environmental- and ethics-related issues. It works with suppliers to ensure that Kid's products are produced in clean and safe environments, that workers are treated with respect, earn a reasonable wage and that suppliers work within the relevant local laws and regulations.

More information about sustainability and the environment is provided in the corporate social responsibility section of the annual report.

**FINANCIAL RISKS**

**CURRENCY RISK**

To reduce foreign currency risks, Kid Interiør AS hedges net foreign currency cash flows by entering into futures contracts. This is done in order to mitigate the currency risk of the approximately 90 percent of goods it sources, which are denominated in US Dollars.

In order to mitigate currency risk, futures contracts must be entered into at least four months before payment of goods as prices and quantities are set with a long lead-time. The company has a policy to hedge 100 percent of USD currency goods purchases for the consecutive four- to-seven months. The policy has been formally approved by the board of directors.

**LIQUIDITY RISK**

Kid and its subsidiaries have a loan agreement with DNB Bank ASA, giving Kid Interiør AS access to an overdraft facility of NOK 100 million, in addition to a general guarantee limit of NOK 87 million.

## INTEREST RATE RISK

Kid has a floating interest rate for its NOK 525 million of outstanding long-term debt. The long-term debt was previously hedged through an interest swap, but in connection with the IPO in 2015 this swap was terminated. The board of directors finds the exposure to interest risk acceptable when viewed against the cost of hedging, the current debt and liquidity levels, as well as the outlook for Norwegian floating interest rates.

To the extent of the board of directors' knowledge, the above-mentioned risk factors represent the most material financial risk factors that may be of importance in order to evaluate the company's assets, liabilities, financial position and profits.

## OUTLOOK FOR 2017

2016 was a good year for Kid – both in terms of increased revenues and market share. We believe that the company's efforts of the past 12 months will provide a further platform for growth during 2017.

Research during 2016 showed that customers believe Kid now has an assortment of products that meet their demands of both value-for-money and quality. The board of directors is confident that this compelling value and quality proposition will help Kid to continue to increase its market share in 2017 and beyond. The board of directors believes that Kid understands its core customers and will work hard to meet their needs while also looking to expand its reach to a younger demographic.

Kid will continue its successful shop expansion programme with the opening, relocation and refurbishment of a number of stores in 2017. Kid announced on 24 March 2017 that the

company had acquired five new lease agreements in the Oslo area from Hansen & Dysvik, of which one is a relocation of the current store. The store locations will complement and significantly strengthen Kid's market position in the Oslo area. Through the development of well-located and continually modernised stores, Kid will ensure that it is providing customers with a positive and inspirational retail experience. Likewise, the online store is under constant development, which will help to drive online sales, as well as push traffic to the bricks-and-mortar locations.

Kid will continue to focus on and improve its store-level service – particularly through the use of interactive staff training. When combined with a continually refreshed and on-trend product assortment, this will ensure customers find reasons to make Kid their primary textiles and furnishings retailer in Norway.

The objectives for Kid in the medium-term remain as follows:

- A strong financial performance driven by like-for-like growth of 3-4 percent, stable gross margins in line with the past 10 years and operating expenses relative to sales at current levels
- An increase in the store portfolio, with the net opening of 3-5 new stores annually. Capital expenditures are expected to be NOK 15-20 million annually in relation to maintenance, with an additional NOK 1.5 million per new store opening
- To maintain a moderate leverage and an efficient balance sheet
- A target of 60-70 percent dividend payout ratio of adjusted net profit. The board of directors will propose to the General Assembly on 11 May 2017 that the dividend is paid out semi-annually. The distribution policy is dynamic and any excess capital will be returned to shareholders.

Lier, 6 April 2017

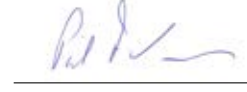
The board of Kid ASA



Henrik Schüssler  
Chairman of the board



Bjørn Rune Gjelsten  
Member of the board



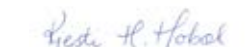
Pål Frimann Clausen  
Member of the board



Vilde Falck-Ytter  
Member of the board



Karin Bing Orgland  
Member of the board



Kjersti Helen Krokeide Hobøl  
Chief executive Officer



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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Annual Report 2016 KID ASA

(All amounts in NOK 1000 unless otherwise stated)

	Note	Year ended 31st December	
		2016	2015
Revenue	2	1,293,932	1,188,433
Other operating income		1,604	1,294
<b>Total revenue</b>		<b>1,295,536</b>	<b>1,189,726</b>
Cost of goods sold	15	515,299	492,005
Employee benefits expense	6, 22	289,547	271,342
Depreciation and amortisation expense	11, 12	28,953	24,447
Other operating expenses	19	289,627	282,690
<b>Total operating expenses</b>		<b>1,123,426</b>	<b>1,070,484</b>
<b>Operating profit</b>		<b>172,110</b>	<b>119,243</b>
Financial income	7	1,008	471
Financial expense	7	13,678	26,225
Changes in fair value of interest rate swaps	7, 13	0	5,537
<b>Net financial income (+) / expense (-)</b>		<b>-12,670</b>	<b>-20,217</b>
<b>Profit before tax</b>		<b>159,440</b>	<b>99,026</b>
Income tax expense	9, 21	25,413	-2,308
<b>Net profit</b>		<b>134,027</b>	<b>101,333</b>
<b>Consolidated statement of comprehensive income</b>			
Profit for the period		134,027	101,333
Items that may be reclassified to P&L			
<b>Cash flow hedges</b>		<b>-212</b>	<b>47,794</b>
Tax effect from cash flow hedges		137	-12,490
Total comprehensive income for the period		133,952	136,637
<b>Attributable to equity holders of the parent</b>		<b>133,952</b>	<b>136,637</b>
<b>Basic and diluted Earnings per share (EPS):</b>	10	<b>3.30</b>	<b>3.27</b>

The notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in NOK 1000 unless otherwise stated)

		Group	
	Note	31st December 2016	31st December 2015
<b>ASSETS</b>			
Trademark	12	1,463,023	1,459,585
<b>Total intangible assets</b>		<b>1,463,023</b>	<b>1,459,585</b>
Fixtures and fittings, tools, office machinery and equipment	11	88,492	86,081
<b>Total tangible assets</b>		<b>88,492</b>	<b>86,081</b>
<b>TOTAL FIXED ASSETS</b>		<b>1,551,515</b>	<b>1,545,666</b>
<b>Inventories</b>		<b>222,190</b>	<b>204,315</b>
Trade receivables	13.14	2,527	2,996
Other receivables	14	26,435	23,322
Derivative financial instruments	13, 24	8,372	14,206
<b>Total receivables</b>		<b>37,334</b>	<b>40,524</b>
<b>Cash and bank deposits</b>	13.16	<b>291,852</b>	<b>230,373</b>
<b>TOTAL CURRENT ASSETS</b>		<b>551,376</b>	<b>475,212</b>
<b>TOTAL ASSETS</b>		<b>2,102,891</b>	<b>2,020,878</b>

Notes 1 to 23 are an integral part of these financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONTINUED

(All amounts in NOK 1000 unless otherwise stated)

	Group		
	Note	31st December 2016	31st December 2015
<b>EQUITY AND LIABILITIES</b>			
Share capital	17	48,774	48,774
Share premium	17	321,049	321,049
Other paid-in equity		64,617	64,617
<b>Total paid-in-equity</b>		<b>434,440</b>	<b>434,440</b>
Other reserves	24.25	6,370	15,549
Retained earnings		561,482	488,423
<b>TOTAL EQUITY</b>		<b>1,002,292</b>	<b>938,411</b>
Deferred tax liability	21	350,349	368,956
<b>Total provisions</b>		<b>350,349</b>	<b>368,956</b>
Liabilities to financial institutions	3, 13, 20	526,544	525,761
<b>Total long-term liabilities</b>		<b>526,544</b>	<b>525,761</b>
Trade creditors	13	40,626	36,636
Taxes payable	9	40,849	21,739
Public duties payable		80,729	69,634
Other short-term liabilities		61,502	59,740
<b>Total short-term liabilities</b>		<b>223,706</b>	<b>187,749</b>
<b>TOTAL LIABILITIES</b>		<b>1,100,600</b>	<b>1,082,467</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,102,891</b>	<b>2,020,878</b>

The notes are an integral part of these financial statements.






# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1000 unless otherwise stated)


	Group					
	As at 31st December					
	Share capital	Share premium	Other paid - in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015	42,000	156,874	37,719	-	406,090	642,683
Profit for the year	-	-	-	-	101,333	101,333
Cash flow hedges	-	-	-	34,669	635	35,304
Total comprehensive income for the year	-	-	-	34,669	101,968	136,637
Transfer from Cash Flow Hedge Reserve	-	-	-	-26,192	-	-26,192
Tax effect of transfer from Cash Flow Hedge Reserve	-	-	-	7,072	-	7,072
Group contribution from parent company	-	-	26,899	-	-19,636	7,263
Contributions of equity, net of transaction costs	6,774	164,175	-	-	-	170,949
Dividends	-	-	-	-	-	-
Total contributions by and distributions to owners of the parent, recognised directly in equity	6,774	164,175	26,899	-19,120	-19,636	159,092
<b>Balance as at 31 December 2015</b>	<b>48,774</b>	<b>321,049</b>	<b>64,617</b>	<b>15,549</b>	<b>488,423</b>	<b>938,411</b>
						0
Balance at 1 January 2016	48,774	321,049	64,617	15,549	488,423	938,412
Profit for the year	-	-	-	-	134,027	134,027
Cash flow hedges	-	-	-	-75	-	-75
Total comprehensive income for the year	-	-	-	-75	134,027	133,952
Transfer from Cash Flow Hedge Reserve	-	-	-	-12,139	-	-12,139
Tax effect of transfer from Cash Flow Hedge Reserve	-	-	-	3,035	-	3,035
Dividends	-	-	-	-	-60,968	-60,968
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	-9,104	-60,968	-70,072
<b>Balance as at 31 December 2016</b>	<b>48,774</b>	<b>321,049</b>	<b>64,617</b>	<b>6,370</b>	<b>561,482</b>	<b>1,002,292</b>

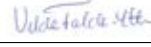
The notes are an integral part of these financial statements.


Lier, 6 April 2017  
The board of Kid ASA

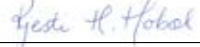
  
Henrik Schüssler  
Chairman of the board

  
Bjørn Rune Gjelsten  
Member of the board

  
Pål Frimann Clausen  
Member of the board

  
Vilde Falck-Ytter  
Member of the board

  
Karin Bing Orgland  
Member of the board

  
Kjersti Helen Krokeide Hobøl  
General manager

## CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in NOK 1000 unless otherwise stated)

		Group	
		Year ended 31st December	
	Note	2016	2015
<b>Cash flow from operations</b>			
Profit before income taxes		159,440	99,026
Taxes paid in the period	9	-21,739	-26,942
Gain/loss from sale of fixed assets	11	-	-
Depreciation & impairment	11, 12	28,953	24,447
Fair value change interest rate swaps	7, 13	-	-5,537
Differences in expensed pensions and payments in/out of the pension scheme	22	-	-15
Items classified as investments or financing	7	12 670	25 754
Non-cash effect from currency hedging		-7,901	7,287
<b>Change in working capital</b>			
Change in inventory	15	-17,875	-3,262
Change in trade receivables	14	469	-1,152
Change in trade creditors	19	3,990	15,251
Change in other short-term liabilities		9,779	-6,213
<b>Net cash flow from operations</b>		<b>167,786</b>	<b>128,643</b>
<b>Cash flow from investments</b>			
Purchase of fixed assets	11, 12	-34,803	-40,638
<b>Net cash flow from investments</b>		<b>-34,803</b>	<b>-40,638</b>
<b>Cash flow from financing</b>			
Interest and other bank charges	7	-12,705	-29,456
Cash inflows /-outflows related to liabilities from financial institutions	18	783	-95,937
Dividend payments to shareholders		-60,968	-
Net proceeds from shares issued	17	-	169,451
<b>Net cash flow from financing</b>		<b>-72,889</b>	<b>44,058</b>
<b>Cash and cash equivalents at the beginning of the period</b>	16	<b>230,373</b>	<b>99,070</b>
Net change in cash and cash equivalents		60,094	132,064
Exchange gains / (losses) on cash and cash equivalents		1,384	-761
<b>Cash and cash equivalents at the end of the period</b>	16	<b>291,852</b>	<b>230,373</b>

The notes are an integral part of these financial statements.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 General Information

Kid ASA and its subsidiaries (together, 'the group') sell interior products through wholly-owned stores. The group operates nationwide and has more than 130 stores around Norway and one online store. The domicile of the group is Lier, Norway.

The group's head office is at Gilhusveien 1, 3426 Gullaug.

## Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of Kid ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Norwegian Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

#### 2.1.1 Changes in accounting policies

The only significant impact to the group's accounting policies in 2016 is the adoption of IFRS 9 Financial Instruments. The group adopted IFRS 9 at the end of 2016, with an effective adoption date of 1 January 2015. The accounting principles related to IFRS 9 that are changed as compared to 2015 are in sections 2.9-14. See also note 24, Implementation of IFRS 9. The other note disclosures directly impacted by IFRS 9 include note 3, Financial risk management, note 13, Financial Instruments by category, note 14, Trade and other receivables, and note 24, Reconciliation of other reserves.

Except from this, there have been no significant changes to the group's accounting policies in 2016.

#### 2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.



2.3 Segment reporting

The company sells home textiles in 134 fully-owned shops across Norway and through its website - www.kid.no. Over 98 percent of products sold are own-branded under the name KID Interiør. The group's internet sales are equivalent to the sales of approximately one shop and are therefore not considered a reportable segment. The group consists of three individual companies that all support the sales of goods on the Norwegian market. The Norwegian market is not separated into geographical regions and the group therefore reports one segment.

2.4 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in NOK, which is the functional currency of all group entities.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains - net'.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost, less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leased movables and shop fittings	5 years
Fixtures	3-5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains - net' in the income statement.

Property, plant and equipment classified as facilities under construction is held at cost less any recognised provision for impairment. Depreciation is not initiated until the assets are brought into use on store opening.

2.6 Intangible assets

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives of nine-to-ten years. Trademarks have an indefinite useful life.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of four-to-seven years.

## 2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value, less costs to sell.

## 2.9 Financial assets

### 2.9.1 Classification

The group classifies its financial assets in the following categories: At fair value through profit or loss or amortised cost. The group does not have any financial assets at fair value over other comprehensive income (OCI). The classification is based on the solely payments of principal and interest (SPPI) model in IFRS 9.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are derivative instruments not designated as hedging instruments. The group currently does not have any financial assets at fair value through profit or loss.

#### (b) Loans and receivables

Trade receivables, based on the classification model solely payments of principal and interest (SPPI) are held at amortised cost. All trade receivables are classified as current assets.

### 2.9.2 Recognition and measurement

Trade receivables are initially recognised at their fair value and subsequently measured at amortised cost. Trade receivables are evaluated for possible impairment each reporting period using the simplified credit loss model. See section 2.11. Trade receivables are derecognised when the right to receive cash flows has expired.

In financial statements prepared prior to the adoption of IFRS 9, gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the income statement within 'Other (losses)/gains – net' in the period in which they occurred. See note 5 for more information. Upon adoption of IFRS 9, the changes in fair value for interest rate swaps not designated as hedging instruments are presented in the income statement within 'Changes in fair value of interest rate swaps' in the period in which they occur. During 2016 all derivative instruments were designated as hedging instruments.

## 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counter-party.

## 2.11 Impairment of financial assets

### Financial assets carried at amortised cost - trade receivables

The majority of the group's sales are "over the counter" in the KID stores to individuals, where payment is received from the customer at the time of the sale. Therefore, in the majority of sales transactions, a trade receivable is not recognised. In sales to businesses or government institutions, for example schools or hospitals, a trade receivable is recognised at delivery of the inventory to the customer. These receivables have low credit risk and all receivables over the past several years have been collected in full and on-time. The group monitors credit risk on their trade receivables and has evaluated that there is no impairment loss recognition required for the trade receivables outstanding as of year-end 2016 or 2015, upon adoption of IFRS 9.





### 2.12 Derivative financial instruments and hedge accounting policies

The group enters into certain derivative contracts to provide economic hedges for parts of the group's exposure to currency and interest rate risk. The group did not apply the principles of hedge accounting in IAS 39 for this type of hedging, but upon adoption of IFRS 9 has applied hedge accounting for the currency risk exposures. Interest rate derivatives held as of year-end 2015 were not designated as hedging instruments.

Derivatives that are designated as hedging instruments for cash flow hedges are measured at fair value over other comprehensive income as long as the hedge meets IFRS 9 hedge criteria. The group does not designate any derivatives as fair value hedges.

For any derivative instrument that is not designated as a hedging instrument, the change in the fair value for currency derivatives is recognised in "other (losses)/gains net" and changes in the fair value of interest rate derivatives (2015 NOK 5,537 thousand) are recognised in changes in fair value of interest rate derivatives.

### 2.13 Inventories and cost of goods sold

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods available for sale comprises the direct costs (purchase price), import duties and freight, as well as the hedging reserve. A significant part of the inventory purchases are denominated in USD and hedged to Norwegian kroner with currency derivatives designated as cash flow hedges. The hedged kroner rate is the inventory purchase price for inventory purchases in USD. Cost of goods sold is determined using a combination of specific identification and weighted-average costing. Cost of goods sold also includes a provision for obsolescence and lost goods.

### 2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. As of year-end 2016 and 2015 the group did not have any outstanding bank overdrafts.

Cash is initially recognised at fair value and subsequently measured at amortised cost.

## 2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due in one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

## 2.17 Liabilities from financial institutions

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees and commission costs paid on the establishment and maintenance of short-term bank borrowing facilities are recognised as bank transaction costs in the accounting period when the costs are paid. These costs are not amortised and deferred as the loans are usually re-paid within a few months.

## 2.18 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The deferred tax is calculated using a tax rate of 25%, which will take effect from 2016.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the group is unable to control the reversal of the temporary difference for associates. It can only do this where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will be reversed in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.19 Provisions

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

## 2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### (a) Sales of goods

The group operates a chain of retail outlets for selling interior products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by debit/credit card.

It is the group's policy to sell its products to the retail customer with a right to return within 14 days. Accumulated experience is used to estimate and provide for such returns at the time of sale. Revenue is adjusted for the value of expected returns. The group does not operate any loyalty programmes.

### (b) Internet revenue

Revenue from the sale of goods over the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of delivery. Revenue is adjusted for the value of expected returns. Transactions are settled by credit or payment card.

## 2.21 Interest income

Interest income arises primarily from interest received on short-term bank deposits, and is recognised as earned.

## 2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain equipment. Leases of equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

## 2.23 Dividend distribution

Dividend distributions to shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the shareholders at the annual shareholder meeting.

## 2.24 Employee benefits

The company has various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the Avtalefestet Pensjon (AFP) early retirement pension scheme. The company has both defined contribution plans and the AFP scheme.

### (a) Pension obligations

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The company also has an agreed early retirement scheme (AFP). The new AFP scheme, in force from 1 January 2011, is a defined benefit multi-employer scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

## 2.25 NEW standards for disclosure for KID ASA financial statements YE 2016

Standards and amendments adopted as of 1 January 2016

From 1 January 2016 there are several new standards and amendments that are effective for the current reporting period, but none of these have had a material impact on the 2016 group financial statements. The most relevant of the new standards applied as of 1 January 2016 are:

- Amendment to IAS 1, Presentation of financial statements
- Amendment to IAS 16 and 38 – Clarification of acceptable methods of depreciation and amortization
- Annual Improvements to IFRSs (2012-2014)



Accounting standards and interpretations issued, but not yet adopted as of 31 December 2016  
Standards to be implemented in 2017 or later years

As of 31 December 2016 the following standards, interpretations and amendments have been issued but were not yet mandatory for annual reporting periods ending 31 December 2016:

IFRS 9 Financial Instruments, and associated amendments to other standards  
IFRS 15 Revenue from Contracts with Customers, and associated amendments to other standards  
IFRS 16 Leases  
Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses  
Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

#### **Standards to be implemented in 2017 or later years**

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IFRS 16 Leases  
Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised losses  
Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments are applicable from 1 January 2018, but earlier adoption is permitted. The group has adopted IFRS 9 early, with an implementation date of 1 January 2015. See note 24 Implementation of IFRS 9 for more information.

#### **IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue, IFRS 15 Revenue from Contracts with Customers, with an effective date of 1 January 2018. IFRS 15 has been approved by the EU and earlier application is permitted. IFRS 15 replaces IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to the customer. This concept of control replaces the existing IAS 18 notion of risks and rewards, and is a broader concept that includes the transfer of risk and reward as one of the control criteria.

IFRS 15 requires that a five-step process be used to evaluate all customer contracts to determine revenue recognition and measurement. The five steps are:

1. Identify contracts with customers
2. Identify the separate performance obligations
3. Determine the transaction price of the contract
4. Allocate the transaction price to each of the separate performance obligations, and
5. Recognise the revenue as each performance obligation is satisfied

Currently, revenues from the sale of goods are recognised when delivery has occurred, and the associated risk and control has been transferred to the customer. A significant amount of group sales are point-in-time sales, with immediate delivery of the goods and receipt of payment from the customer, when the transaction occurs in the KID retail stores. The group also has internet sales to both private individuals and businesses, and revenue is recognised for these sales at the date of delivery of the goods. The group sells gift cards and currently recognizes revenue on the expired cards at the date of expiration. IFRS 15 requires revenue recognition of expired gift cards based on an estimation model over the time period of the gift card, which will give earlier recognition as compared to today's accounting principle. The change in the timing of expired gift card revenue upon adopting IFRS 15 is not expected to have a material effect on the financial statements.

IFRS 15 permits entities to apply the guidance retrospectively, which means restating and disclosing 2017 comparative financial statements upon adoption (full retrospective approach). Alternatively, an entity is permitted to recognise the cumulative effect of initially applying the guidance as an opening balance sheet adjustment to equity in the period of initial application (modified approach, and 2017 is not restated). The group will adopt IFRS 15 as of 1 January 2018 using the full retrospective approach. The implementation of IFRS 15 could have an effect on the financial statements, but is not expected to have a material effect on total reported revenues, expenses, assets or liabilities, but can increase the level of disclosures related to revenue. The group will complete their IFRS 15 adoption analysis during 2017.

#### **IFRS 16 Leases**

IFRS 16 was approved by the IASB in January 2016 and will replace IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

## Note 3 Financial risk management

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 must be adopted no later than 1 January 2019. It is possible to early adopt, if the group also adopts IFRS 15 Revenue from Contracts with Customers at the same time. IFRS 16 is not yet approved by the EU, but approval is expected during 2017. The group will most likely not early adopt IFRS 16. The effect of adopting IFRS 16 on the group financial statements is still being evaluated, but the expectation is that the effect of implementation will be material, as the group has a significant contractual commitment related to lease contracts for the retail locations that are currently classified as operating leases.

### Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised losses

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets

The amendments to IAS 12 will be adopted as of 1 January 2017 without material effect on the group financial statements.

### Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The amendment to IAS 7 now requires entities to explain in their annual reporting changes in their liabilities arising from financing activities. These include changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes, such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

The amendments to IAS 7 will be adopted as of 1 January 2017 and the new disclosures, as relevant, will be provided in the 2017 annual report.

There are no other IFRSs or IFRIC interpretations issued by the IASB as of 31 December 2016 that are not yet effective that would be expected to have a material impact on the group.

### 3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: Market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. The company applies hedge accounting in accordance with IFRS 9.

The group's risk management is performed by a central finance department, in accordance with instructions which have been presented to and approved by the board of directors. The group's finance department identifies, evaluates and manages financial risk in close cooperation with the different operational units. The board of directors approves the principles for overall risk management, and provides guidelines for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives and use of surplus cash.

#### (a) Market risk

##### (i) Foreign exchange risk

Exposures to currency exchange rates arise from the group's international purchases, which are primarily denominated in USD. The group uses foreign currency derivative contracts to hedge foreign exchange risk which are recorded at fair value over OCI. The group has no net investments in international operations recognised in the balance sheet.

The board has approved a hedging policy to hedge 100% of anticipated cash flows (highly probable purchase of goods) in USD for the subsequent six months. Management may not deviate from the policy. At 31 December 2016, the group had future contracts for 100% of the anticipated USD cash flow for a period of six months. The group has adopted IFRS 9 and uses hedge accounting. See notes 24 and 25 for further information.

The following table illustrates the sensitivity on the company's financial instruments of a 10% change in USD against the Norwegian kroner with all other variables (e.g. changes of prices on products sold) held constant.

At 31st December 2016	+10% change	-10% change
Effect on profit (loss) after tax	0	0
Effect on OCI (FX derivatives)	16,070	-16,070

#### At 31st December 2015

Effect on profit (loss) after tax	0	0
Effect on OCI (FX derivatives)	17,694	-17,694

#### (ii) Interest risk

The group's interest rate risk arises from long-term borrowings and bank deposits. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. The company is also subject to interest rate risk related to any short-term bank overdraft drawn during the financial year.

The group's interest rate risk was hedged using an interest rate swap in 2015 which was of equal amount to one of the long-term loan tranches to financial institutions. The swap contract was terminated in November 2015 as the group found the interest rate risk acceptable after reducing the net interest bearing debt following completion of the IPO in 2015.

#### (b) Credit risk

The group's turnover comes mainly from cash sales or debit/credit card-based sales where settlement in cash takes place within a few days of the sales transaction. As such, the group has limited exposure to credit risk relating to accounts receivable balances. Credit risk also arises from derivative financial instruments and deposits with banks and financial institutions. However, counterparts are limited to financial institutions with high creditworthiness. Historically, defaults and losses related to credit risk have been low.

#### (c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group has capital-intensive inventory in its central warehouse and stores and has fluctuations related to working capital due to seasonality and the timing of the deliveries and payments.

Cash flow forecasting is performed in the operating entities of the group and aggregated by the group finance department. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed loan facilities (note 18) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash is used to pay out dividends and reduce long-term borrowings.

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2016	Less than 1 year	Between 1 and 5 years
Borrowings (excluding finance lease liabilities)	-	525,000
Finance lease liabilities	332	1,212
Trade and other payables	223,706	-
	<b>224,038</b>	<b>526,212</b>
At 31 December 2015		
Borrowings (excluding finance lease liabilities)	-	525,000
Finance lease liabilities	512	249
Trade and other payables	187,749	-
	<b>188,261</b>	<b>525,249</b>

Loans consist of a long-term loan with DnB (note 18). The loan of TNOK 525,000 is due in its entirety in May 2020.



### 3.2 Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, reduce excess loan repayments, exploit available credit facilities or sell financial assets.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest bearing debt divided by EBITDA. Net interest bearing debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet, excluding financial derivatives) less cash and cash equivalents. EBITDA is calculated as earnings before interest, tax, depreciation and amortisation.

The company has had a strategic focus to reduced long-term borrowings and reach and maintain a sustainable quarterly gearing ratio below 3. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Total borrowings (note 18)	525,000	525,761
Less cash and cash equivalents (note 16)	(291,852)	(230,373)
Net interest bearing debt	233,148	295,388
EBITDA	201,063	143,689
<b>Gearing ratio</b>	<b>1.16</b>	<b>2.06</b>

For more information about covenant limits, refer to note 20.

### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2016.

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives at fair value				
Foreign currency derivative contracts		8,372		8,372
<b>Total assets</b>	<b>-</b>	<b>8,372</b>	<b>-</b>	<b>8,372</b>

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2015.

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Trading derivatives				
Interest rate contracts				
Currency future contracts		14,206		14,206
<b>Total assets</b>	<b>-</b>	<b>14,206</b>	<b>-</b>	<b>14,206</b>

There were no transfers between levels 1 and 2 during the year.

#### (a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The group has no such instruments at 31 December 2016 or 31 December 2015.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The group's financial assets and liabilities measured at fair value consist of interest rate swaps and foreign exchange outright deals and are all included in level 2. Market values are calculated using mid-rates (excluding margins) as determined by DnB Markets and based on available market rates.

**(c) Financial instruments in level 3**

All other financial instruments measured at fair value are included in level 3. The group has no such instruments at 31 December 2016.

## Note 4

Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**4.1 Critical accounting estimates and assumptions**

Group management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(a) Estimated impairment of trademark**

The group tests annually whether the group's trademark has suffered any impairment in accordance with IAS 36. The recoverable amounts of the defined cash-generating unit have been determined based on value-in-use calculations. These calculations require use of estimates. The impairment test is sensitive to negative changes in long-term growth or gross margin.

See note 12 – Intangible assets – for more information.

**4.2 Critical judgements in applying the entity's accounting policies**

There has not been identified any critical judgements in applying the entity's accounting policies.

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## Note 5

Other (losses)/gains - net

	2016	2015
Realised (losses)/gains on foreign exchange derivative contracts	-	-
Unrealized (losses)/gains on foreign exchange derivative contracts	-	-
Other (losses)/gains - net	-	-

See note 24 implementation of IFRS 9 for more information.

## Note 6

Employee remuneration and audit fees

**6a Employee benefit expense**

	2016	2015
Wages and salaries	246,002	228,749
Social security costs	31,918	31,928
Board remuneration	898	196
Pension costs - defined benefit plans (note 21)	4,254	4,178
Other benefits	6,475	6,292
<b>Total employee benefit expenses</b>	<b>289,547</b>	<b>271,342</b>
Average number of employees	439	431

There have not been any loans to employees or guarantees granted to employees in either 2015 or 2016.

6b Benefits key management personnel and board of directors  
Cash-paid benefits

2016						
Key Management Personnel	Position	Salary	Pension	Bonus	Other Benefits	Total
Kjersti Hobøl	CEO	2,391	31	4,839	216	7,477
Petter Schouw-Hansen	CFO	1,530	31	2,420	189	4,170
Robert Steen	Logistics Director	1,150	31	907	256	2,345
Board of Directors						
Henrik Schüssler	Chairman of the Board				105	105
Karin Bing Orgland	Board Member				105	105
Bjørn Rune Gjelsten	Board Member				75	75
Vilde Falck-Ytter	Board Member				75	75
Pål Frimann Clausen	Board Member				72	72
Jostein Devold	Board Member				15	15
Sten Arthur Sælør	Board Member				15	15
		5,071	94	8,166	1,123	14,454

2015						
Key Management Personnel	Position	Salary	Pension	Bonus	Other Benefits	Total
Kjersti Hobøl	CEO	2,317	30	4,707	221	7,277
Petter Schouw-Hansen	CFO	1,406	30	2,354	197	3,988
Robert Steen	Logistics Director	1,028	28	1,009	245	2,311
Board of Directors						
Henrik Schüssler	Chairman of the Board				-	-
Bjørn Rune Gjelsten	Board Member				-	-
Rune Marsdal	Board Member				-	-
Pål Frimann Clausen	Board Member				200	200
		4,752	89	8,069	864	13,775

There have not been any loans or guarantees granted to key management personnel in either 2015 or 2016. CEO and CFO have 6 months salary as termination benefit.

There are no share-based payments.

6c Audit fees

	2016	2015
Statutory audit (incl. preparation of financial statements)	592	446
Other attestation services	8	238
Tax-related services (incl. preparation of income tax form)	38	25
Other services	53	873
Total fees	691	1,582





**Note 7****Finance income and costs**

	2016	2015
<b>Finance costs</b>		
Bank borrowings	11,786	16,747
Interest expense from interest rate swaps	-	7,363
Bank transaction costs	1,855	2,113
Currency losses	-	195
Other finance costs	38	-193
<b>Total finance costs</b>	<b>13,678</b>	<b>26,225</b>
<b>Finance income</b>		
Interest income on short-term bank deposits	833	237
Other finance income	175	151
Currency gains	-	83
<b>Total finance income</b>	<b>1,008</b>	<b>471</b>
Changes in fair value of interest rate swaps	-	5,537
<b>Net finance costs</b>	<b>-12,670</b>	<b>-20,217</b>

There are no material differences between finance costs and interest paid during the period.

**Note 8****Investments in subsidiaries**

The group had the following subsidiaries at 31 December 2016

Name	Place of business	Nature of business	Proportion of shares directly held by parent (%)
Kid Interiør AS	Norway	Interior goods retailer	100%
Kid Logistikk AS	Norway	Logistics	100%

All subsidiary undertakings are included in the consolidation.

The subsidiary specifications above were identical at year-end 2015.

## Note 9

### Income tax expense

	2016	2015
<b>Current tax</b>		
Current tax on profits for the year	40,849	23,238
Adjustments in respect of prior years	-	
<b>Total current tax</b>	<b>40,849</b>	<b>23,238</b>
<b>Deferred tax (note 20)</b>		
Origination and reversal of temporary differences	-4,009	9,389
Correction of tax on direct capitalized differences included in the calculation of deferred taxes	3,171	-5,418
Changes in deferred tax due to changes in tax rate	-14,598	-29,516
<b>Income tax expense</b>	<b>25,413</b>	<b>-2,308</b>

Reconciliation between tax expense and product of accounting profit, multiplied by the applicable tax rate

	2016	2015
<b>Profit before tax</b>	<b>129,375</b>	<b>120,868</b>
Tax calculated at domestic tax rate applicable to profits	39,860	26,737
Tax effects of:		
Expenses not deductible for tax purposes/(Income not subject to tax)	67	471
Changes in deferred tax due to changes in tax rate	-14,598	-29,516
Other	83	-
<b>Income tax expense</b>	<b>25,413</b>	<b>-2,308</b>
Tax charge in percent of profit before tax	16 %	-2 %

The tax charge in percent of profit before tax was 16% in 2016 (2% in 2015). The decrease in tax charge in percent between 2016 and 2015 came as a result of the change in the corporation tax rate from 25% to 24% that was changed by law in 2015 and became effective from 1 January 2016. Consequently, the relevant deferred tax balances have been remeasured.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2016		
	Before tax	Tax charge	After tax
Fair value gains in relation to effective cash flow hedges:			
Forward currency derivative contracts	-212	137	-75
<b>Other comprehensive income</b>	<b>-212</b>	<b>137</b>	<b>-75</b>

	2015		
	Before tax	Tax charge	After tax
Fair value gains in relation to effective cash flow hedges:			
Forward currency derivative contracts	47,794	-12,490	35,304
<b>Other comprehensive income</b>	<b>47,794</b>	<b>-12,490</b>	<b>35,304</b>

There exists only one class of shares.



**Note 10****Earnings  
per share**

	2016	2015
Weighted average number of shares	40,645,162	35,940,860
Net profit for the year	134,027	101,333
<b>Earnings per share (basic and diluted), expressed in NOK per share</b>	<b>3.30</b>	<b>2.82</b>

**Note 11****Property, plant  
and equipment**

	Facilities under construction	Leased movables	Leased shop fitting	Fixtures	Total
<b>Year ended 31 December 2016</b>					
Opening net book amount	1,792	131	579	83,576	86,077
Additions	1,842	-	1,356	27,477	30,675
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation charge	-	-38	-532	-27,690	-28,260
<b>Closing net book amount</b>	<b>3,634</b>	<b>93</b>	<b>1,403</b>	<b>83,363</b>	<b>88,492</b>
<b>At 31 December 2016</b>					
Cost or valuation	3,634	230	69,496	311,549	384,909
Accumulated depreciation	0	-138	-68,093	-228,187	-296,417
<b>Net book amount</b>	<b>3,634</b>	<b>93</b>	<b>1,403</b>	<b>83,363</b>	<b>88,492</b>
<b>Year ended 31 December 2015</b>					
Opening net book amount	160	170	1,194	68,405	69,929
Additions	1,632	0	227	38,820	40,679
Reclassifications	-	-	-	-	-
Disposals	-	-	-	-79	-79
Depreciation charge	0	-38	-842	-23,567	-24,447
<b>Closing net book amount</b>	<b>1,792</b>	<b>131</b>	<b>579</b>	<b>83,579</b>	<b>86,081</b>
<b>At 31 December 2015</b>					
Cost or valuation	1,792	3,470	68,131	283,617	357,010
Accumulated depreciation	-	-3,339	-67,552	-200,039	-270,930
<b>Net book amount</b>	<b>1,792</b>	<b>131</b>	<b>579</b>	<b>83,579</b>	<b>86,081</b>

Disposals for fixtures in 2016 includes accumulated depreciation for the items and are therefore presented as a net value of 0 (2015: 79).

Facilities under construction contains shop fittings related to stores not yet opened. As such, these items are not depreciated until the actual opening of the stores.

Bank borrowings (note 19) are secured on fixed assets.

## Note 12

### Intangible assets

Cost	Time-limit- ed tenancy right	Software	Trademark	Total
At 1 January 2015	3,550	11,500	1,459,585	1,474,635
Additions	-	-	-	-
<b>As at 31 December 2015</b>	<b>3,550</b>	<b>11,500</b>	<b>1,459,585</b>	<b>1,474,635</b>
At 1 January 2016	3,550	11,500	1,459,585	1,474,635
Additions	-	4,131	-	4,131
<b>As at 31 December 2016</b>	<b>3,550</b>	<b>15,631</b>	<b>1,459,585</b>	<b>1,478,766</b>

#### Accumulated amortisation and impairment

At 1 January 2015	-3,550	-11,498	-	-15,048
Impairment charge	-	-	-	-
Amortisation charge	-	-2	-	-2
<b>As at 31 December 2015</b>	<b>-3,550</b>	<b>-11,500</b>	<b>-</b>	<b>-15,050</b>
At 1 January 2016	-3,550	-11,500	-	-15,050
Impairment charge	-	-	-	-
Amortisation charge	-	-693	-	(693)
<b>As at 31 December 2016</b>	<b>-3,550</b>	<b>-12,193</b>	<b>-</b>	<b>-15,743</b>

#### Net book value

Cost	3,550	11,500	1,459,585	1,474,635
Accumulated amortisation and impairment	-3,550	-11,500	-	-15,050
<b>As at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>1,459,585</b>	<b>1,459,585</b>
Cost	3,550	15,631	1,459,585	1,478,766
Accumulated amortisation and impairment	-3,550	-12,193	0	-15,743
<b>As at 31 December 2016</b>	<b>-</b>	<b>3,438</b>	<b>1,459,585</b>	<b>1,463,023</b>

Useful life	9-10 years	4-7 years	Indefinite
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#### Trademark

The trademark was acquired in 2005 and is related to the original cost of the subsidiaries and the company brand, Kid Interiør. Kid Interiør was founded in 1937 and has long traditions within its business area. Kid Interiør is a well known brand among the population in Norway and there is a clear intention to retain and further develop this brand. As a consequence, the brand name is not amortised, but tested for impairment annually.

#### Impairment tests for trademark

The group tests on an annual basis whether the trademark has suffered any impairment. The recoverable amount is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports.

The following table sets out the key assumptions:		2016	2015
Sales volume (% annual growth rate)		2.5	3.1
Gross margin (%)		60.8	60.9
Other operating costs (%)		45.2	45.0
Annual capital expenditure (%)		2.0	2.0
Long-term growth rate (%)		1.0	2.0
Discount rate after tax (%)		8.2	7.7

The recoverable amount of the trademark is estimated to be MNOK 2,151 (2015 – MNOK 2,433). This exceeds the carrying amount of the trademark at 31 December 2016 by MNOK 539 (2015 – MNOK 837)

The recoverable amount of the trademark would equal its carrying amount if the key assumptions were to change as follows:

	2016		2015	
	From	To	From	To
Sales volume (% annual growth rate)	2.5	0.7	3.1	1.4
Budgeted gross margin (%)	60.8	57.3	60.9	56.2
Long-term growth rate (%)	1.0	-2.9	2.0	-2.7
Discount rate after tax (%)	8.2	10.7	7.7	10.8

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the trademark to exceed its recoverable amount.





## Note 13

### Financial instruments

#### 13.1 Financial instruments by category

31 December 2016			
	Financial assets at amortised cost	Financial assets (cash flow hedge derivatives) at fair value over OCI	Total
Assets as per balance sheet			
Derivative financial instruments	-	8,372	8,372
Trade receivables	2,527	-	2,527
Cash and bank deposits	291,852	-	291,852
<b>Total</b>	<b>294,379</b>	<b>8,372</b>	<b>302,751</b>

	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Liabilities to financial institutions (excluding finance lease liabilities)	525,000	525,000
Finance lease liabilities	1,544	1,544
Trade creditors	40,626	40,626
<b>Total</b>	<b>567,170</b>	<b>567,170</b>

31 December 2015			
	Financial assets at amortised cost	Financial assets (cash flow hedge derivatives) at fair value over OCI	Total
Assets as per balance sheet			
Derivative financial instruments	-	14,206	14,206
Trade receivables	2,996	-	2,996
Cash and bank deposits	230,373	-	230,373
<b>Total</b>	<b>233,369</b>	<b>14,206</b>	<b>247,575</b>

	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Liabilities to financial institutions (excluding finance lease liabilities)	525,000	525,000
Finance lease liabilities	761	761
Trade creditors	106,270	106,270
<b>Total</b>	<b>632,031</b>	<b>632,031</b>

## Note 14

### Trade and other receivables

#### Trade receivables

The carrying amounts of the group's trade and other receivables are entirely denominated in NOK.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables. The group has not pledged any of the trade receivables as collateral or security. The management has evaluated the trade receivables credit risk to be insignificant and the trade receivables are recognised in the financial statements at full face value.

#### Other receivables

Other receivables consists mainly of pre-payments for operating expenses and rental payments for retail locations.

## Note 15

### Inventories

	2016	2015
Inventory at purchase cost	234,124	230,342
Inventory at fair value less cost to sell	205	165
Adjustment to inventory from cash flow hedges	-12,139	-26,192
<b>Inventories</b>	<b>222,190</b>	<b>204,315</b>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to 515,299 (2015: 498,267). The cost of goods sold also includes write-downs of inventory during the year as shown in the table below.

Recognised loss on inventories

	2016	2015
Lost goods	9,994	6,689
Change in provision for obsolescence	42	-167
<b>Recognised loss on inventories in cost of goods sold</b>	<b>10,036</b>	<b>6,522</b>

## Note 16

### Cash and cash equivalents

	2016	2015
Cash in bank and in-hand	287,674	225,643
Short-term bank overnight deposits	4,178	4,730
<b>Cash and cash equivalents (excluding bank overdrafts)</b>	<b>291,852</b>	<b>230,373</b>

The group does not have any restricted cash bank accounts. See note 18 for further information.

## Note 17

### Share capital and premium

#### Share capital

	Number of shares	Ordinary shares	Face value	Total face value
At 31 December 2015	40,645,162	40,645,162	1.2	48,774,194
At 31 December 2016	40,645,162	40,645,162	1.2	48,774,194

The company was listed on the Oslo Stock Exchange in November 2015, and at 31 December 2016 the top 20 shareholders were as follows:

	31 December 2016		31 December 2015	
	# Shares	Ownership	# Shares	Ownership
Gjelsten Holding AS	14,879,309	36.6 %	19,879,309	48.9 %
Pareto Aksje Norge	2,200,000	5.4 %	-	0.0 %
Verdipapirfondet Pareto Investment	1,841,000	4.5 %	1,060,000	2.6 %
Tvenge, Torstein Ingvald	1,500,000	3.7 %	1,500,000	3.7 %
Skandinaviska Enskilda Banken AB	1,250,000	3.1 %	1,192,104	2.9 %
The Resource Group Trg AS	1,175,000	2.9 %	1,175,000	2.9 %
Goldman Sachs International	1,150,000	2.8 %	1,240,726	3.1 %
Storebrand Verdi Verdipapirfond	1,048,149	2.6 %	400,000	1.0 %
Banque De Luxembourg S.A.	853,717	2.1 %	-	0.0 %
Midelfart Invest AS	820,000	2.0 %	17,500	0.0 %
Verdipapirfondet DNB SMB	689,149	1.7 %	637,500	1.6 %
VPF Nordea Kapital	610,100	1.5 %	345,000	0.8 %
VJ Invest AS	607,798	1.5 %	145,276	0.4 %
Statoil Pensjon	601,434	1.5 %	636,600	1.6 %
Forsvarets Personellservice	575,000	1.4 %	-	0.0 %
Verdipapirfondet Delphi Norge	565,000	1.4 %	-	0.0 %
Eika Norge	485,000	1.2 %	485,000	1.2 %
VPF Nordea Avkastning	409,503	1.0 %	300,000	0.7 %
Fram Realinvest AS	400,000	1.0 %	500,000	1.2 %
Op-Europe Equity Fund	395,283	1.0 %	400,000	1.0 %

#### Share premium

	Amount
At 31 December 2014	156,874
Equity issue November 2015	164,175
<b>At 31 December 2016</b>	<b>321,049</b>

#### Key Management Personnel Share holdings

	31.12.2016	31.12.2015
Kjersti Hobøl	64,516	64,516
Petter Schouw-Hansen	32,258	32,258
Robert Steen	8,064	8,064

#### Board of Directors

Henrik Schüssler (100% Fireh AS)	64,516	64,516
Karin Bing Orgland	32,258	32,258
Bjørn Rune Gjelsten (100% of Gjelsten Holding AS )	8,064	8,064
Vilde Falck-Ytter		
Pål Frimann Clausen		
Jostein Devold	32,258	32,258
Sten Arthur Sælør	32,629	16,129





## Note 18

### Liabilities to financial institutions

	2016	2015
<b>Non-current</b>		
Bank loans	525,000	525,000
Finance lease liabilities	1,212	249
<b>Total non-current liabilities to financial institutions</b>	<b>526,212</b>	<b>525,249</b>
<b>Current</b>		
Finance lease liabilities	332	512
<b>Total current liabilities to financial institutions</b>	<b>332</b>	<b>512</b>
<b>Total liabilities to financial institutions</b>	<b>526,544</b>	<b>525,761</b>

#### (a) Bank borrowings

Bank loans mature in May 2020 and bear an average interest rate of 2.1% annually (2015: 2.6%)

Total loans include secured liabilities (bank and collateralised loans) of TNOK 525,000 (2015: TNOK 525,000). Bank loans are secured by 100% of the shares in Kid Interiør AS.

The bank overdraft is secured by inventory, trade receivables, property, plant and equipment, 100% of the shares in Kid Logistikk AS and the rental agreement related to the HQ in Drammen. As of year-end 2016 and 2015 the bank overdraft was not utilised and therefore none of the assets were pledged as collateral.

The exposure of the group's loans to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	2016	2015
6 months or less	166	256
6-12 months	166	256
1-5 years	526,212	525,249
<b>Total liabilities to financial institutions</b>	<b>526,544</b>	<b>525,761</b>

The carrying amounts and fair value of the non-current loans are as follows:

	2016	2015
Bank loans	525,000	525,000
Finance lease liabilities	1,544	761
<b>Total carrying amount of liabilities to financial institutions</b>	<b>526,544</b>	<b>525,761</b>

The fair value of current loans equals their carrying amount, as the loans bear a floating interest priced at market rate.

The carrying amounts of the group's loans are denominated in the following currencies:

	2016	2015
NOK	526,544	525,761
Other currencies	-	-
<b>Total</b>	<b>526,544</b>	<b>525,761</b>

The group has the following granted loan facilities:

	2016	2015
Unused bank overdraft	100,000	100,000
Employee tax guarantee	10,000	10,000
Letter of credit limit	65,000	65,000
Bank guarantee limit	12,000	12,000
<b>Total</b>	<b>187,000</b>	<b>187,000</b>

The following covenants are regulated by contract:

	Interval	Limit 2016	Limit 2015
Gearing ratio (NIBD/EBITDA)	annually	3.00	3.00
Interest coverage ratio	quarterly	2.33	2.33
CAPEX YTD	annually	38.00	50.00
EBITDA LTM	quarterly	122.72	122.72

The group has been compliant with covenants at all intervals.

**(b) Finance lease liabilities**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. See note 22 for operating lease payments.

The estimated total cash outflows in connection with the finance lease liabilities are as follows:

	2016	2015
Within one year	332	512
	1,212	249
<b>Total</b>	<b>1,544</b>	<b>761</b>

**Note 19**  
**Other expenses**

	2016	2015
Rental costs for shops and storage	168,421	153,565
Advertising and other marketing costs	66,067	67,736
Other expenses	55,139	61,389
<b>Total other expenses</b>	<b>289,627</b>	<b>282,690</b>



## Note 20

### Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016	2015
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	0	0
- Deferred tax assets to be recovered within 12 months	1,328	303
	<b>1,328</b>	<b>303</b>
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	-349,665	-364,352
- Deferred tax liability to be recovered within 12 months	-2,012	-7,094
	<b>-351,677</b>	<b>-371,446</b>
<b>Deferred tax liabilities (net)</b>	<b>-350,349</b>	<b>-371,143</b>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Specification of temporary differences Asset/liability (-)	2016	Movement	2015	Movement	2014
Tangible and intangible assets	-1,456,480	-355	-1,456,835	934	-1,455,901
Trade receivables	25	0	25	0	25
USD Bank account	-10	-6,517	-6,527	-7,127	-13,654
Inventories	4,074	-2,888	1,186	2,123	3,309
Financial lease	48	3	51	-71	-20
Deferred gain - sale of fixed assets	-458	-115	-573	-143	-716
Provisions	1,386	-331	1,055	-1,040	15
Forward currency contracts	-8,372	-5,834	-14,206	14,206	-
Interest rate swap	-	-	-	25,892	25,892
Sum temporary differences	<b>-1,459,788</b>	<b>-16,037</b>	<b>-1,475,825</b>	<b>34,775</b>	<b>-1,441,050</b>
Basis for deferred tax	-1,459,788	-16,037	-1,475,825	34,775	-1,441,050
Deferred tax in the balance sheet	<b>-350,349</b>	<b>-4,009</b>	<b>-368,956</b>	<b>9,389</b>	<b>-389,084</b>
Tax effect of change in tax rate*		-14,598		-29,516	
Net change deferred tax in income tax expense		<b>-18,607</b>		<b>-20,127</b>	

Deferred tax liability/deferred tax asset is net presented in the financial statements.

\* From 2016 the tax rate in Norway was reduced from 25% til 24%. Deferred tax is calculated at a rate of 24% in 2016. The movement in the deferred taxes related to the change in tax rates is primarily due to the book value of the trademark as compared to the tax basis of zero.









## Note 21

### Post-employment benefits

The table below outlines where the group's post-employment amounts and activity are included in the financial statements.

	2016	2015
<b>Income statement charge included in operating profit for:</b>		
Defined pension benefits (note 21.1)	4,854	4,769
	<b>4,854</b>	<b>4,769</b>

The income statement charge included within the operating profit includes current service costs, interest costs, past service costs and gains and losses on settlement and curtailment.

#### 21.1 AFP scheme

The subsidiary Kid Logistikk AS and 19 of our stores have an agreed early retirement scheme (AFP). The new AFP scheme, in force from 1 January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension costs, pension liabilities and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

As of 31 December 2016, the deposit fund amounts to TNOK 5 (2015: 82), and the members' pension capital is TNOK 19 838 (2015: 17 858)

<b>Net pensions expenses</b>	<b>2016</b>	<b>2015</b>
Pensions earned this year - the group pension scheme	3,461	3,605
Pensions earned this year - the agreed early retirement scheme (AFP)	793	588
Differences/estimate changes charged to income - the old agreed early retirement scheme (AFP)	-	-15
Social security fees	600	591
<b>Net pension expenses</b>	<b>4,854</b>	<b>4,769</b>

## Note 22

### Commitments

#### Operating lease commitments

The group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between three and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
No later than one year	168,545	157,549
Later than one year and no later than five years	405,333	420,881
Later than five years	184,141	212,696
<b>Total</b>	<b>758,020</b>	<b>791,127</b>

#### Operating lease expenses

	2016	2015
<b>Lease expenses for the year consist of:</b>		
Base rent	127,875	115,290
Rent based on turnover	7,915	6,530
Joint costs	31,697	30,501
Other storage costs	934	1,245
<b>Total</b>	<b>168,421</b>	<b>153,565</b>

	2016	2015
<b>Lease expenses by category of asset:</b>		
Office rentals	2,320	2,167
Storage facilities	10,359	9,396
Rental outlets	155,742	142,002
<b>Totalt</b>	<b>168,421</b>	<b>153,565</b>

	2016	2015
Number of lease contracts	135	137
Right to renewal of lease contract	54	51
Percentage of lease contracts with option to renewal	40 %	37 %

## Note 23

### Related parties

The group's related parties include associates, key management, members of the board and majority shareholders. The largest shareholder is Gjelsten Holding AS, which owns 36.6 % of the company's shares and is defined as a related party in accordance with IAS 24.

Any transaction between the company and a related party will be based on arm's length terms. If relevant, the transaction will be supported with a valuation obtained from an independent third-party. The company has guidelines to ensure that board members and senior management disclose any material interest to the board in transactions where the company is a party

The following transactions with Gjelsten Holding AS occurred in the year:

Lease agreements	2016	2015
Vågsgaten Handel AS with subsidiaries (Store rental)	1,222	1,052
Bekkestua Eiendomsutvikling AS (Store rental)	545	-
Mortensrud Næring AS (Store rental)	572	-
Gilhus Invest AS (Headquarter rental)	12,939	7,465
<b>Total</b>	<b>15,277</b>	<b>8,517</b>

## Note 24

### Implementation of IFRS9

The EU aA4:G26vember 2016. Kid ASA chose 1 January 2015 as the date of its initial application of the adoption of IFRS 9.

All financial assets and liabilities, except derivatives, continue to be at amortized cost, measured under IFRS9.

The transition is a change in accounting policy and disclosures required by IAS 8 and IFRS 7 are included in both this annual report and the Q4 2016 report. Q4 2016 was the first reporting undertaken using IFRS 9, as IFRS 9 was not able to be implemented until approved by the EU.

The group adopts the general expected credit loss model for loans to customers, debt investments carried at amortised cost and debt investments carried at fair value through other comprehensive income.

The group has adopted the simplified expected credit loss model for trade receivables, as permitted by IFRS 9, paragraph 5.5.15.

The group has never applied hedge accounting for forward contracts under IAS 39 Financial Instruments: Recognition and Measurement in prior periods. Kid ASA elects to apply hedge accounting upon adoption of IFRS 9 for currency exposure of future highly probable purchases of goods in USD.

There was no inventory on-hand at 31 December 2014 for which hedge accounting had been applied so there is no implementation effect as of implementation 1 January 2015. There is no IFRS 9 implementation effect on the 1 January 2015 balance sheet.

Profit or loss - Other gains and losses of TNOK 22,405 and TNOK 14,206 related to the foreign currency derivatives is now an adjustment to OCI. Cost of goods sold is reduced by TNOK 6,261 as a result of the hedge accounting. The related tax effect of these adjustments is an adjustment to Income tax expense of TNOK 7,605. Profit for the period is reduced to a total of TNOK 22,745.

Statement of financial position - Previously reported inventory as of 31 December 2015 is reduced by TNOK 10,896 as an effect of the adoption of hedge accounting.

Previously reported deferred tax and trade payables at 31 December 2015 are reduced by TNOK 2,187 and TNOK 2,149, respectively, as an effect of the adoption of hedge accounting.

Overall, total equity at 31 Decemeber 2015 is reduced to a total of TNOK 6,560.

Statement of cash flows - The adoption of hedge accounting does not impact net cash flow from operations, investment and financing, only presentation within cash flow from operations.



	Full year 2015		
(Amounts in NOK thousand)	Previously reported	IFRS 9 adjustments	Restated
Revenue	1,188,433		1,188,433
Other operating revenue	1,294		1,294
<b>Total revenue</b>	<b>1,189,726</b>		<b>1,189,726</b>
Cost of goods sold	498,267	6,261	492,005
Employee benefits expense	271,342		271,342
Depreciation and amortisation expenses	24,447		24,447
Other operating expenses	282,690		282,690
<b>Total operating expenses</b>	<b>1,076,745</b>	<b>6,261</b>	<b>1,070,484</b>
Other realised (losses)/gains- net	22,405	-22,405	0
Other unrealised (losses)/gains- net	14,206	-14,206	0
<b>Operating profit</b>	<b>149,592</b>		<b>119,243</b>
Other financial income	471		471
Other financial expense	26,225		26,225
Changes in fair value of financial assets	5,537		5,537
<b>Net financial income (+) / expense (-)</b>	<b>-20,217</b>		<b>-20,217</b>
<b>Profit before tax</b>	<b>129,375</b>		<b>99,026</b>
Income tax expense	5,297	7,605	-2,308
<b>Net profit (loss) for the period</b>	<b>124,078</b>	<b>-22,745</b>	<b>101,333</b>
<b>Interim condensed consolidated statement of comprehensive income</b>			
Profit for the period	124,078	-22,745	101,333
Cash flow hedges	0	47,794	47,794
Tax on cash flow hedges	0	-12,490	-12,490
<b>Total comprehensive income for the period</b>	<b>124,078</b>	<b>12,559</b>	<b>136,637</b>
Attributable to equity holders of the parent	124,078	12,559	136,637
<b>Basic and diluted earnings per share (EPS)</b>	<b>3.45</b>	<b>-0.63</b>	<b>2.82</b>

## Consolidated statement of financial position 1 January and 31 December 2015

(Amounts in NOK thousand)

	1 January 2015			31 December 2015		
	Previously reported	IFRS 9 Adjustments	Restated	Previously reported	IFRS 9 adjustments	Restated
<b>Assets</b>						
Trademark	1,459,585		1,459,585	1,459,585		1,459,585
<b>Total intangible assets</b>	<b>1,459,585</b>		<b>1,459,585</b>	<b>1,459,585</b>		<b>1,459,585</b>
Fixtures and fittings, tools, office machinery and equipment	69,890		69,890	86,081		86,081
<b>Total tangible assets</b>	<b>69,890</b>		<b>69,890</b>	<b>86,081</b>		<b>86,081</b>
<b>Total fixed assets</b>	<b>1,529,475</b>		<b>1,529,475</b>	<b>1,545,666</b>		<b>1,545,666</b>
Inventories	201,053		201,053	215,211	-10,896	204,315
Trade receivables	1,844		1,844	2,996		2,996
Other receivables	11,169		11,169	23,322		23,322
Derivatives	0		0	14,206		14,206
<b>Total receivables</b>	<b>13,012</b>		<b>13,012</b>	<b>40,523</b>		<b>40,523</b>
Cash and bank deposits	99,070		99,070	230,373		230,373
<b>Total currents assets</b>	<b>313,134</b>		<b>313,134</b>	<b>486,106</b>	<b>-10,896</b>	<b>475,210</b>
<b>Total assets</b>	<b>1,842,612</b>		<b>1,842,612</b>	<b>2,031,774</b>	<b>-10,896</b>	<b>2,020,878</b>
<b>Equity and liabilities</b>						
Share Capital	42,000		42,000	48,774		48,774
Share Premium	156,874		156,874	321,049		321,049
Other paid-in-equity	37,718		37,718	64,617		64,617
<b>Total paid-in-equity</b>	<b>236,592</b>		<b>236,592</b>	<b>434,440</b>		<b>434,440</b>
Other reserves - cash flow hedges	0		0	15,549		15,549
Other equity	406,090		406,090	494,983	-6,560	488,423
<b>Total equity</b>	<b>642,683</b>		<b>642,683</b>	<b>944,972</b>	<b>-6,560</b>	<b>938,411</b>
Pension liabilities	15		15	0		0
Deferred tax	389,084		389,084	371,143	-2,187	368,956
<b>Total provisions</b>	<b>389,099</b>		<b>389,099</b>	<b>371,143</b>	<b>-2,187</b>	<b>368,956</b>
Liabilities to financial institutions	555,496		555,496	525,761		525,761
Derivatives	25,892		25,892	0		0
<b>Total long-term liabilities</b>	<b>581,388</b>		<b>581,388</b>	<b>525,761</b>		<b>525,761</b>
Liabilities to financial institutions	45,000		45,000	0		0
Trade payables	22,255		22,255	38,785	-2,149	36,636
Tax payable	34,205		34,205	21,739		21,739
Public duties payable	62,186		62,186	69,634		69,634
Other short-term liabilities	65,798		65,798	59,740		59,740
<b>Total short-term liabilities</b>	<b>229,443</b>		<b>229,443</b>	<b>189,898</b>	<b>-2,149</b>	<b>187,749</b>
<b>Total liabilities</b>	<b>1,199,930</b>		<b>1,199,930</b>	<b>1,086,802</b>	<b>-2,149</b>	<b>1,082,467</b>
<b>Total equity and liabilities</b>	<b>1,842,612</b>		<b>1,842,612</b>	<b>2,031,774</b>	<b>-10,896</b>	<b>2,020,878</b>

## Consolidated statement of changes in equity per 1 January 2015 and 31 December 2015

(Amounts in NOK thousand)

	As at 1 January 2015					
	Share capital	Share premium	Other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015, as previously reported	42,000	156,874	37,719	0	406,090	642,683
Impact of IFRS 9 adoption	0	0	0	0	0	0
Restated balance at 1 January 2015	42,000	156,874	37,719	0	406,090	642,683
Profit for the year						0
Other comprehensive income for the year						0
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer from Cash Flow Hedge Reserve					0	0
Tax effect of transfer from Cash Flow Hedge Reserve	0	0	0	0	0	0
Group contribution from parent company	0	0	0	0	0	0
Contributions of equity, net of transaction costs	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Restated balance as at 1 January 2015</b>	<b>42,000</b>	<b>156,874</b>	<b>37,719</b>	<b>0</b>	<b>406,090</b>	<b>642,683</b>

(Amounts in NOK thousand)

	As at 31 December 2015					
	Share capital	Share premium	Other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2015, as previously reported	42,000	156,874	37,719	-	406,090	642,683
Restated balance at 1 January 2015	42,000	156,874	37,719	-	406,090	642,683
Profit for the year					101,333	101,333
Other comprehensive income for the year				34,669	635	35,304
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,669</b>	<b>101,968</b>	<b>136,637</b>
Transfer from Cash Flow Hedge Reserve				-26,192		-26,192
Tax effect of transfer from Cash Flow Hedge Reserve	0	0	0	7,072		7,072
Group contribution from parent company	0	0	26,899	0	-19,636	7,263
Contributions of equity, net of transaction costs	6,774	164,175	0	0	0	170,949
Dividends	0	0	0	0	0	0
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>	<b>6,774</b>	<b>164,175</b>	<b>26,899</b>	<b>-19,120</b>	<b>-19,636</b>	<b>159,092</b>
<b>Restated balance as at 31 December 2015</b>	<b>48,774</b>	<b>321,049</b>	<b>64,617</b>	<b>15,549</b>	<b>488,422</b>	<b>938,411</b>



**Earnings per share full year 2015**  
There exists only one class of shares.

	Full year 2015		
	Previously reported	IFRS 9 adjustments	Restated
Weighted average number of shares	35,940,860	0	35,940,860
Net profit for the year	124,078	-22,745	101,333
<b>Earnings per share (basic and diluted) (Expressed in NOK per share)</b>	<b>3.45</b>	<b>-0.63</b>	<b>2.82</b>

**Consolidated statement of cash flows 2015**

(Amounts in NOK thousand)

	Full year 2015		
	Previously reported	IFRS 9 adjustments	Restated
Cash flow from operations			
Profit before income taxes	129,375	-30,350	99,026
Taxes paid in the period	-26,942	0	-26,942
Gain/loss from sale of fixed assets	0	0	0
Depreciation & impairment	24,447	0	24,447
Change in financial derivatives	-19,743	14,206	-5,537
Differences in expensed pensions and payments in/out of the pension scheme	-15	0	-15
Effect of exchange fluctuations	761	-761	0
Items classified as investments or financing	25,754	0	25,754
Non-cash effect from currency hedging	0	7,287	7,287
Change in net working capital			0
Change in inventory	-23,282	20,020	-3,262
Change in trade debtors	-1,152		-1,152
Change in trade creditors	25,654	-10,403	15,251
Change in other provisions	-6,213	0	-6,213
<b>Net cash flow from operations</b>	<b>128,644</b>	<b>0</b>	<b>128,644</b>
Cash flow from investments			
Net proceeds from investment activities	0	0	0
Purchase of fixed assets	-40,638	0	-40,638
<b>Net cash flow from investments</b>	<b>-40,638</b>	<b>0</b>	<b>-40,638</b>
Cash flow from financing			
Change in debt	-95,937	0	-95,937
Net interest	-29,456	0	-29,456
Net proceeds from shares issued	169,451	0	169,451
<b>Net cash flow from financing</b>	<b>44,058</b>	<b>0</b>	<b>44,058</b>
Cash and cash equivalents at the beginning of the period	99,070	0	99,070
Net change in cash and cash equivalents	132,064	0	132,064
Exchange gains / (losses) on cash and cash equivalents	-761	0	-761
<b>Cash and cash equivalents at the end of the period</b>	<b>230,373</b>	<b>0</b>	<b>230,373</b>

Interim consolidated profit or loss statement applying IFRS 9 Q1 2015 - Q4 2016 (unaudited)

<i>(Amounts in NOK thousand)</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Revenue	231,928	235,758	287,631	433,115	230,554	265,468	314,074	483,835
Other operating revenue	379	27	773	114	34	9	1,529	32
<b>Total revenue</b>	<b>232,308</b>	<b>235,785</b>	<b>288,405</b>	<b>433,229</b>	<b>230,589</b>	<b>265,477</b>	<b>315,603</b>	<b>483,868</b>
Cost of goods sold	101,043	97,933	116,540	176,488	96,094	102,158	122,039	195,007
Employee benefits expense	63,662	61,487	61,401	84,791	67,936	66,331	66,755	88,525
Depreciation and amortisation expenses	5,612	5,782	5,582	7,470	6,725	6,833	7,444	7,950
Other operating expenses	61,967	72,729	68,951	79,043	66,488	72,464	68,684	81,992
<b>Total operating expenses</b>	<b>232,286</b>	<b>237,932</b>	<b>252,474</b>	<b>347,793</b>	<b>237,244</b>	<b>247,786</b>	<b>264,922</b>	<b>373,473</b>
<b>Operating profit</b>	<b>22</b>	<b>-2,147</b>	<b>35,931</b>	<b>85,436</b>	<b>-6,655</b>	<b>17,691</b>	<b>50,680</b>	<b>110,394</b>
Other financial income	110	173	95	94	174	224	132	478
Other financial expense	7,040	7,059	6,907	5,219	3,458	3,371	3,302	3,547
Changes in fair value of financial assets	3,008	2,995	-1,302	836	0	0	0	0
<b>Net financial income (+) / expense (-)</b>	<b>-3,922</b>	<b>-3,892</b>	<b>-8,114</b>	<b>-4,289</b>	<b>-3,284</b>	<b>-3,147</b>	<b>-3,170</b>	<b>-3,070</b>
Profit before tax	-3,900	-6,039	27,817	81,147	-9,939	14,544	47,511	107,325
Income tax expense	-1,055	-1,634	7,530	-7,149	-2,500	3,665	11,972	12,276
<b>Net profit (loss) for the period</b>	<b>-2,845</b>	<b>-4,405</b>	<b>20,287</b>	<b>88,296</b>	<b>-7,439</b>	<b>10,879</b>	<b>35,538</b>	<b>95,048</b>
<b>Interim condensed consolidated statement of comprehensive income</b>								
Profit for the period	-2,845	-4,405	20,287	88,296	-7,439	10,879	35,538	95,048
Cash flow hedges	7,132	4,673	21,712	14,277	-8,283	2,628	-9,131	14,574
Tax on cash flow hedges	-1,926	-1,262	-5,862	-3,440	2,071	-657	2,283	-3,560
<b>Total comprehensive income for the period</b>	<b>2,361</b>	<b>-993</b>	<b>36,137</b>	<b>99,133</b>	<b>-13,651</b>	<b>12,850</b>	<b>28,691</b>	<b>106,063</b>

**Note 25**  
**Reconciliation**  
**of other**  
**reserves**

**Cash flow hedge reserves**  
The company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable inventory purchases. These include foreign currency forward contracts which are designated in the cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. The cash flow hedge reserve is transferred to the initial cost of the related inventory when the inventory is recognised.

Opening balance 1 January 2015	-
Add: Cost of hedging deferred for the year	47,159
Less: Reclassified to the carrying amount of inventory	-26,192
Less: Deferred tax	-5,418
<b>Closing balance 31 December 2015</b>	<b>15,549</b>
Opening balance 1 January 2016	15,549
Add: Cost of hedging deferred for the year	-212
Less: Reclassified to the carrying amount of inventory	-12,139
Less: Deferred tax	3,171
<b>Closing balance 31 Decmber 2016</b>	<b>6,370</b>





**FINANCIAL  
STATEMENTS  
KID ASA  
2015**

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## KID ASA - STATEMENT OF INCOME

(All amounts in NOK 1000 unless otherwise stated)

	Note	2016	2015
Payroll expenses	7	898	11,270
Other operating expenses	7	1,060	6,393
<b>Total operating expenses</b>		<b>1,958</b>	<b>17,663</b>
<b>Operating profit</b>		<b>-1,958</b>	<b>-17,663</b>
Income from subsidiaries and associated companies	3	175,252	146,464
Interest income from group entities		984	0
Other interest income		285	103
Other Interest expenses	8	-11,072	-42,840
Other financial expenses		-90	-49
<b>Profit before tax</b>		<b>163,401</b>	<b>86,015</b>
Tax on ordinary result	6	40,849	23,238
<b>Net profit or loss for the year</b>		<b>122,552</b>	<b>62,777</b>
Profit attributable to:			
Allocated dividend		81,290	60,968
To other equity		41,261	1,809
<b>Total allocation</b>		<b>122,552</b>	<b>62,777</b>

Notes 1 to 10 are an integral part of these financial statements

# KID ASA - BALANCE SHEET

## ASSETS

(All amounts in NOK 1000 unless otherwise stated)

	Note	2016	2015
<b>FIXED ASSETS</b>			
<b>Financial fixed assets</b>			
Investments in subsidiaries	1, 2	1,144,158	1,144,158
<b>Total financial fixed assets</b>		<b>1,144,158</b>	<b>1,144,158</b>
<b>Total fixed assets</b>		<b>1,144,158</b>	<b>1,144,158</b>
<b>CURRENT ASSETS</b>			
<b>Debtors</b>			
Other receivables	3	175,281	146,930
<b>Total debtors</b>		<b>175,281</b>	<b>146,930</b>
Cash and bank deposits		213,179	173,752
<b>Total current assets</b>		<b>388,460</b>	<b>320,682</b>
<b>TOTAL ASSETS</b>		<b>1,532,618</b>	<b>1,464,840</b>



# KID ASA - BALANCE SHEET


## EQUITY AND LIABILITIES

(All amounts in NOK 1000 unless otherwise stated)


	Note	2016	2015
<b>Restricted equity</b>			
Share capital	5	48,774	48,774
Share premium reserve		321,049	321,049
Other paid-in equity		64,617	64,617
<b>Total restricted equity</b>		<b>434,440</b>	<b>434,440</b>
<b>Retained earnings</b>			
Other equity		447,787	406,527
<b>Total retained earnings</b>		<b>447,787</b>	<b>406,527</b>
<b>TOTAL EQUITY</b>	<b>4</b>	<b>882,227</b>	<b>840,967</b>
<b>Other long-term liabilities</b>			
Liabilities to financial institutions	2	525,000	525,000
<b>Total of other long term liabilities</b>		<b>525,000</b>	<b>525,000</b>
<b>Current liabilities</b>			
Trade creditors		4	1,587
Tax payable	6	40,849	21,739
Dividends		81,290	60,968
Other short term liabilities		3,248	14,579
<b>Total short term liabilities</b>		<b>125,391</b>	<b>98,873</b>
<b>TOTAL LIABILITIES</b>		<b>650,391</b>	<b>623,873</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,532,618</b>	<b>1,464,840</b>

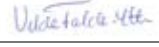
Notes 1 to 10 are an integral part of these financial statements


Lier, 6 April 2017  
The board of Kid ASA

  
Henrik Schüssler  
Chairman of the board

  
Bjørn Rune Gjelsten  
Member of the board

  
Pål Frimann Clausen  
Member of the board

  
Vilde Falck-Ytter  
Member of the board

  
Karin Bing Orgland  
Member of the board

  
Kjersti Helen Krokeide Hobøl  
General manager

## KID ASA - CASH FLOW STATEMENT

(All amounts in NOK 1000 unless otherwise stated)

	Note	2016	2015
<b>CASH FLOW FROM OPERATIONS</b>			
Profit before income taxes		163,401	86,015
Taxes paid in the period	6, 4	-21,739	-26,943
Change in trade creditors		-1,583	1,587
Change in other provisions		435	-466
<b>Net cash flow from operations</b>		<b>140,514</b>	<b>60,193</b>
<b>CASH FLOW FROM FINANCING</b>			
Proceeds from short term loans (group)	3	0	20,538
Repayment of short term loans		-11,331	-77,683
Repayment of short term loans (group)	3	-28,788	0
New equity received	4	0	169,451
Payment of dividend		-60,968	0
<b>Net cash flow from financing</b>		<b>-101,087</b>	<b>112,306</b>
<b>EXCHANGE GAINS / (LOSSES) ON CASH AND CASH EQUIVALENTS</b>			
Net change in cash and cash equivalents		39,427	172,499
Cash and cash equivalents at the beginning of the period		173,752	1,253
<b>Cash and cash equivalents at the end of the period</b>		<b>213,179</b>	<b>173,752</b>

# KID ASA - NOTES TO THE FINANCIAL STATEMENTS

## Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

### Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also requires management to apply assessments. In areas which either to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, these are described in the notes.

### Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contributions from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividends from other companies are reflected as financial income when it has been approved.

### Classification of balance sheet items

Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year of the transaction date. Similar criteria apply to liabilities. First year instalments on long-term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

### Purchase costs

The purchase costs of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets, purchase costs also include direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expenses incurred in connection with the production of fixed assets are expensed.

### Asset impairments

Impairment tests are carried out if there is an indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cash flows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present

### Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

### Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry-forward losses for tax purposes at year-end. Tax enhancing or tax-reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

The tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

### Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

**Note 1**

Subsidiaries,  
associated  
companies,  
and joint  
ventures

**Parent company**

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity last year (100%)	Result last year (100%)	Balance sheet value
Kid Interiør AS	Lier	100%	66,890	128,481	1,144,158
<b>Balance sheet value at 31st December 2015</b>					<b>1,144,158</b>

**Note 2**

Debtors and  
liabilities

	2016	2015
Liabilities to credit institutions	0	0
Other long-term liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
 <b>Liabilities secured by mortgage</b>	 <b>525,000</b>	 <b>525,000</b>
 <b>Balance sheet value of assets placed as security:</b>		
Shares	1,144,158	1,144,158
Intangible assets	0	0
Fixed assets	0	0
Inventory	0	0
Trade debtors	0	0
<b>Total</b>	<b>1,144,158</b>	<b>1,144,158</b>

**Note 3**

Balance  
with group  
companies, etc.

	Other short-term liabilities		Other debtors	
	2016	2015	2016	2015
Group companies	0	0	175,252	146,464
<b>Total</b>	<b>0</b>	<b>0</b>	<b>175,252</b>	<b>146,464</b>

**Note 4**

Shareholders'  
equity

Equity changes in the year	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity at 1 January 2017	48,774	321,049	64,617	406,527	840,967
Profit for the year	0	0	0	122,551	122,551
Allocated dividend for the year				-81,290	-81,290
<b>Equity at 31 December 2016</b>	<b>48,774</b>	<b>321,049</b>	<b>64,617</b>	<b>447,788</b>	<b>882,227</b>



## Note 5

### Share capital and shareholder information

The share capital of NOK 48,774,194 consist of 40,645,162 shares with a nominal value of NOK 1.2 each. Kid ASA is listed on the Oslo Stock Exchange. The top 20 shareholders as of 31 December 2016 were:

Shareholder	Ownership
Gjelsten Holding AS	36.6 %
Pareto Aksje Norge	5.4 %
Verdipapirfondet Pareto Investment	4.5 %
Tvenge, Torstein Ingvald	3.7 %
Skandinaviska Enskilda Banken AB	3.1 %
The Resource Group Trg AS	2.9 %
Goldman Sachs International	2.8 %
Storebrand Verdi Verdipapirfond	2.6 %
Banque De Luxembourg S.A.	2.1 %
Midelfart Invest AS	2.0 %
Verdipapirfondet DNB SMB	1.7 %
VPF Nordea Kapital	1.5 %
VJ Invest AS	1.5 %
Statoil Pensjon	1.5 %
Forsvarets Personellservice	1.4 %
Verdipapirfondet Delphi Norge	1.4 %
Eika Norge	1.2 %
VPF Nordea Avkastning	1.0 %
Fram Realinvest AS	1.0 %
Op-Europe Equity Fund	1.0 %

## Note 6

### Taxes

#### Basis for income tax expenses, changes in deferred tax and tax payable

	2016	2015
Result before taxes	163,400	86,014
Permanent differences	-4	-5,498
Basis for the tax expense for the year	163,396	80,516
Change in temporary differences	0	0
<b>Basis for payable taxes in the income statement</b>	<b>163,396</b>	<b>80,516</b>
+/- Group contributions received/given	0	0
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>163,396</b>	<b>80,516</b>

#### Components of the income tax expenses

	2016	2015
Tax rate	25%	27%
Payable tax on this year's result	40,849	21,739
Tax effect of transaction costs related to primary issue of shares		1,498
Total payable tax	40,849	23,238
Change in deferred tax based on original tax rate	0	0
Change in deferred tax due to change in tax rate	0	0
<b>Tax expense</b>	<b>40,849</b>	<b>23,238</b>

Tax expense as a percentage of profit before tax	25%	27%
--	-----	-----

#### Payable taxes in the balance sheet

Payable tax in the tax charge	40,849	21,739
Tax effect of group contribution	0	0
<b>Payable tax in the balance sheet</b>	<b>40,849</b>	<b>21,739</b>

## Note 7

Payroll expenses,  
number of  
employees,  
remunerations,  
loans to  
employees, etc.

#### Payroll expenses

	2016	2015
Salaries/wages	0	9,678
Social security fees	0	1,365
Board remuneration	898	196
Pension expenses	0	0
Other remuneration	0	32
<b>Total</b>	<b>898</b>	<b>11,270</b>

There are no employees in Kid ASA.

The CEO of Kid ASA has not received salary in relation to her role in this company.

No loans/sureties have been granted to the general manager, board chairman or other related parties.

#### Expensed audit fees

	2016	2015
Statutory audit (incl. technical assistance with financial statements)	241	63
Other assurance services		
Tax advisory fee (incl. technical assistance with tax return)	8	8
Other assistance (IFRS9 conversion, assistance with Q4 2015 and Q1 2016 report)	50	711
<b>Total audit fees</b>	<b>299</b>	<b>781</b>

**Note 8**  
Specification  
of financial  
income and  
expenses**Financial income**

	2016	2015
Interest income from group entities	984	
Interest income	285	103
Other financial income	0	0
<b>Total financial income</b>	<b>1,269</b>	<b>103</b>

**Financial expenses**

	2016	2015
Interest expenses / Interest swap	11,072	42,840
Other financial expenses	90	49
<b>Total financial expenses</b>	<b>11,162</b>	<b>29,660</b>

**Note 9**  
Related-party  
transactions

The balance with group companies is disclosed in note 3.

There have been no related-party transactions in 2016.

**Note 10**  
Financial  
market risk

Kid ASA is exposed to interest rate risk on long-term debt.

**Interest risk**


The company's interest rate risk arises from long-term borrowings and bank deposits. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates.

The company's interest rate risk was hedged using an interest rate swap in 2015 which was of equal amount to one of the long-term loan tranches to financial institutions. The swap contract was terminated in November 2015 as the company finds the interest rate risk acceptable after reducing the net interest-bearing debt after completing the IPO in 2015.


# RESPONSIBILITY STATEMENT

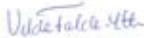
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.


Lier, 6 April 2017  
The board of Kid ASA

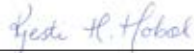
  
Henrik Schüssler  
Chairman of the board

  
Bjørn Rune Gjelsten  
Member of the board

  
Pål Frimann Clausen  
Member of the board

  
Vilde Falck-Ytter  
Member of the board

  
Karin Bing Orgland  
Member of the board

  
Kjersti Helen Krokeide Hobøl  
Chief executive manager



To the General Meeting of KID ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of KID ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of the trademark</i> (For more information see note 4 Critical accounting estimates and note 12 Intangible assets.)</p> <p>The trademark amounts to a significant part of the Group's total fixed assets. Management performs an annual impairment test of the trademark to assess the book value by estimating and discounting the expected net future cash flows. The estimation of the net future cash flows and discount rate are dependent on management judgement. In the event of a write-down of the trademark, both operating profit and total equity would be impacted.</p>	<p>To challenge management on their judgement used in the estimation of the net future cash flows and the discount rate, we have compared management's estimates of the future cash flows with the prior year's actual cash flows, approved budgets and business plans. We did not find any inconsistencies between the estimated net discounted cash flows and the information used by management to estimate these cash flows.</p> <p>To evaluate management's estimation accuracy, we have compared the 2016 estimated cash flows used in last year's impairment test with the actual cash flows in 2016. The estimate deviation was not significant.</p> <p>To evaluate management's assumptions related to future long-term revenue growth, we have compared management's estimates with the expectations in the marketplace. We found that management's estimates for long-term growth were in line with both the market's and our expectations.</p> <p>To evaluate management's assumptions related to the technical modelling of the discount rate, we have compared the different input factors used in the determination of the discount rate by comparing these input factors with observable market data, market expectations and the discount rates used by industry comparable companies. We found that managements discount rate contains the elements required by IFRS, and that the different elements were in line with what we find in the marketplace and comparative companies.</p> <p>To challenge management's sensitivity analysis, we simulated changes in key parameters and found that the calculation of value in use was most sensitive to changes in sales, long-term growth and discount rate. A reasonable variation in the key parameters does not lead to a different conclusion on the impairment test.</p>

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### *Implementation of IFRS 9*

*(See note 24 Implementation of IFRS 9.)*

The Group purchases a significant part of their inventory in USD, and hedges this cash outflow with foreign currency derivative contracts. Previously the Group has not used hedge accounting. The new standard IFRS 9 *Financial Instruments* was endorsed by the EU during 2016 and is now available for early adoption. The Group elected to adopt IFRS 9 early with an effective implementation date of 1 January 2015.

The adoption materially affects the Group's operating profit for both 2015, which is restated, and 2016 as well as fundamental key figures in the financial statements. We have identified this as a key audit matter due to the complexity of the IFRS 9 adoption and the impact on the financial statements.

We have ensured that the audit team has the relevant knowledge related to the new standard and understood the methods the Group used to adopt the standard. Through our review of the Group's IFRS 9 implementation accounting memo and accounting checklists, we verified that the Group was compliant to early adopt IFRS 9 as of 1 January 2015.

Through our review of board minutes we verified that the Group had a board approved hedging policy in place prior to the adoption of IFRS 9. We satisfied ourselves that the hedged cash flows are highly probable through sample based testing.

We mapped and tested the Group's internal controls related to the documentation and postings of forward contracts for both 2015 and 2016. We tested management's assessment of hedge effectiveness based on the approved policies, the related hedge accounting documentation and the actual derivative contracts. Our testing did not uncover material errors. Through tests of details, we looked at the hedge accounting entries to inventory, OCI and other reserves as well as the related deferred tax effects. We found no material errors in the hedge accounting entries.

We have used checklists and involved experts to verify that the IFRS disclosure requirements related to the first time adoption of IFRS 9 were appropriate.

### *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, statements on Corporate Governance and Corporate Social Responsibility and information in the annual report from chapter "Financial highlights 2016" to chapter "At a glance 2016", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(3)



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### *Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to

(4)





events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 the Board of Directors 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

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## *Report on Other Legal and Regulatory Requirements*

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.



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*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 April 2017

**PricewaterhouseCoopers AS**

A handwritten signature in blue ink, appearing to read "Geir Haglund".

Geir Haglund  
State Authorised Public Accountant





# FINANCIAL CALENDAR 2017

Our financial calendar shows the dates on which we plan to publish our financial reports and conduct our annual general meeting. It also includes information about events that are relevant to our shareholders.

The accounts and presentation material are available from 08:00 (CET) on the day of publication, and can be downloaded from our website, <http://investor.kid.no/>

<div>Annual General Meeting</div> <div>11<sup>th</sup> May 2017</div>	<div>Q1</div> <div>12<sup>th</sup> May 2017</div>
<div>Q2</div> <div>16<sup>th</sup> August 2017</div>	<div>Q3</div> <div>14<sup>th</sup> November 2017</div>

# REVENUE UPDATES

Kid ASA will announce revenue updates on the following dates:

- Q4 2016 revenue - 6 January 2017
- Q1 2017 revenue - 7 April 2017
- Q2 2017 revenue - 6 July 2017
- Q3 2017 revenue - 6 October 2017

All dates are subject to change.

This information is published pursuant to the requirements set out in the continuing obligations.

# INVESTOR SITE

<http://investor.kid.no/>







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