Beter Bed Holding

HARD AT WORK ON A GOOD NIGHT'S REST

ANNUAL REPORT 2015

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Per 31 december

in thousand €	Notes	2015	2014
Fixed assets			
Tangible assets	1. 12.		
Land		**7,132**	5,460
Buildings		**3,999**	3,240
Other fixed operating assets		**23,389**	20,189
		34,520	28,889
Intangible assets	2. 12.		
Intangible operating assets		**3,477**	3,517
Financial assets	3.		
Deferred tax assets		**1,185**	497
Long-term accounts receivable		**395**	271
		1,580	768
Total fixed assets		**39,577**	33,174
Current assets			
Inventories	4.		
Finished products and goods for resale		**57,926**	53,481
Receivables	5.		
Trade accounts receivable		**1,920**	2,027
Other receivables		**6,742**	5,528
Income tax receivable	17.	**-**	2,030
		8,662	9,585
Cash and cash equivalents	6.	**25,512**	20,883
Total current assets		**92,100**	83,949
Total assets		**131,677**	117,123

Per 31 december

in thousand €	Notes	2015	2014
Equity			
Equity attributable to equity holders of the parent	7.		
Issued share capital		**439**	438
Share premium account		**18,434**	17,673
Reserve for currency translation differences		**1,097**	814
Revaluation reserve		**2,812**	2,847
Other reserves		**30,409**	30,003
Retained earnings		**22,559**	16,860
Total equity		**75,750**	68,635
Liabilities			
Non-current liabilities			
Provisions	8.	**538**	1,251
Deferred tax liabilities	9.	**2,279**	2,218
		2,817	3,469
Current liabilities	10.		
Trade payables		**22,903**	17,517
Profit tax payable		**2,231**	-
Taxes and social security contributions		**8,368**	7,304
Other liabilities		**19,608**	20,198
		53,110	45,019
Total liabilities		**55,927**	48,488
Total equity and liabilities		**131,677**	117,123

CONSOLIDATED PROFIT AND LOSS ACCOUNT

in thousand €	Notes	2015		2014	
Revenue	12.	**385,440**		363,953	
Cost of sales		**(163,225)**		(155,300)	
Gross profit		**222,215**	**57.7%**	208,653	57.3%
Wage and salary costs	13.	**92,176**		89,858	
Depreciation, amortisation and impairment of assets	15.	**9,825**		8,242	
Other operating expenses	16.	**89,515**		87,511	
Total operating expenses		**191,516**	**49.7%**	185,611	51.0%
Operating profit (EBIT)		**30,699**	**8.0%**	23,042	6.3%
Finance income		**368**		66	
Finance costs		**(419)**		(365)	
Profit before taxation		**30,648**	**8.0%**	22,743	6.2%
Income tax expense	17.	**(8,089)**		(5,883)	
Net profit		**22,559**	**5.9%**	16,860	4.6%
Earnings per share	19.				
Earnings per share in €		**1.03**		0.77	
Diluted earnings per share in €		**1.02**		0.77	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousand €	2015			2014		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Profit	**30,648**	**(8,089)**	**22,559**	22,743	(5,883)	16,860
Non-recyclable:						
Change in revaluation reserve						
- due to revaluation of land	**(47)**	**12**	**(35)**	-	-	-
Recyclable:						
Movements in reserve for						
currency translation differences	**283**	**-**	**283**	59	-	59
Total comprehensive income	**30,884**	**(8,077)**	**22,807**	22,802	(5,883)	16,919

CONSOLIDATED CASH FLOW STATEMENT

in thousand €	**2015**	2014
Cash flow from operating activities		
Operating profit	**30,699**	23,042
Interest paid	**(51)**	(305)
Income tax paid	**(4,443)**	(7,143)
Depreciation, amortisation and impairments	**9,825**	8,242
Costs (Release) employee stock options	**192**	(439)
Movements in:		
– Inventories	**(4,445)**	2,068
– Receivables	**(1,104)**	(120)
– Provisions	**(713)**	(1,427)
– Current liabilities	**5,857**	10,353
– Other	**192**	42
	36,009	34,313
Cash flow from investing activities		
Additions to (in)tangible assets	**(15,963)**	(13,211)
Disposals of (in)tangible assets	**591**	1,004
Changes in non-current receivables	**(124)**	6
	(15,496)	(12,201)
Cash flow from financing activities		
Repayment of loan	**-**	(1,000)
Share (re)issuance	**803**	1,851
Dividend paid	**(16,687)**	(7,659)
	(15,884)	(6,808)
Change in net cash and cash equivalents	**4,629**	15,304
Cash and cash equivalents at the end of the financial year	**25,512**	20,883
Current bank overdraft not including repayment obligations at the end of the financial year	**-**	-
Net cash and cash equivalents at the end of the financial year	**25,512**	20,883
Cash and cash equivalents at the beginning of the financial year	**20,883**	9,554
Current bank overdraft not including repayment obligations at the beginning of the financial year	**-**	(3,975)
Net cash and cash equivalents at the beginning of the financial year	**20,883**	5,579
Change in net cash and cash equivalents	**4,629**	15,304

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation	Revaluation reserve	Other reserves	Retained earnings
Balance on 1 Jan. 2014	**57,963**	**436**	**16,145**	**755**	**2,847**	**29,582**	**8,198**
Net profit 2014	16,860	-	-	-	-	-	16,860
Other components of comprehensive income 2014	59	-	-	59	-	-	-
Profit appropriation 2013	-	-	-	-	-	8,198	(8,198)
Final dividend 2013	(1,526)	-	-	-	-	(1,526)	-
Interim dividend 2014	(6,133)	-	-	-	-	(6,133)	-
(Re)issuance of shares	1,851	2	1,528	-	-	321	-
Release of employee stock options	(439)	-	-	-	-	(439)	-
Balance on 31 Dec. 2014	**68,635**	**438**	**17,673**	**814**	**2,847**	**30,003**	**16,860**
Net profit 2015	22,559	-	-	-	-	-	22,559
Other components of comprehensive income 2015	248	-	-	283	(35)	-	-
Profit appropriation 2014	-	-	-	-	-	16,860	(16,860)
Final dividend 2014	(8,124)	-	-	-	-	(8,124)	-
Interim dividend 2015	(8,563)	-	-	-	-	(8,563)	-
Issuance of shares	803	1	761	-	-	41	-
Costs of employee stock options	192	-	-	-	-	192	-
Balance on 31 Dec. 2015	**75,750**	**439**	**18,434**	**1,097**	**2,812**	**30,409**	**22,559**

GENERAL NOTES

General

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Matratzen Concord, El Gigante del Colchon and Beddenreus.
Beter Bed Holding is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is in Uden, the Netherlands.

The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at fair value. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted in the European Union and their interpretations as approved by the International Accounting Standards Board (IASB). Unless expressly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The consolidated financial statements have been prepared in euros and all amounts have been rounded off to thousands (€ 000), unless stated otherwise.

Certain prior-year amounts have been reclassified in line with the presentation for the year under review. These reclassifications relate mainly to the cash flow statement.

The 2015 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and discussed in the meeting of the Supervisory Board on 10 March 2016. These financial statements are still to be adopted by the shareholders. The adoption of the financial statements has been placed on the agenda of the Annual General Meeting of Shareholders on 19 May 2016. Pursuant to Section 402 of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

Application of new standards

Insofar as applicable, the company applied the following new and revised IFRS standards and IFRIC interpretations that are relevant for the company:

IAS 19	Employee benefits – Defined Benefit Plans, effective 1 February 2015.
IFRIC 21	Levies Charged by Public Authorities, effective 17 June 2014.

Annual Improvements to IFRSs 2012, effective 1 February 2015.
Annual Improvements to IFRSs 2013, effective 1 January 2015.

The application of these standards and interpretations had no material effect on the company's financial position and results.

The following standards and interpretations were issued on the date of publication of the financial statements, but were not yet effective for the 2015 financial statements. Only those standards and interpretations are listed below that Beter Bed Holding N.V. reasonably expects to have an impact on the disclosures, the financial position or the results of the company upon future application. Beter Bed Holding N.V. intends to apply these standards and interpretations as soon as they become effective. Although its exact effects cannot be estimated yet at present, the new standard for leases, effective 1 January 2019, is expected to have a substantial impact on the disclosures and the financial position of Beter Bed Holding N.V.

IFRS 16	Leases, effective 1 January 2019.
IAS 16	Property, Plant and Equipment – Depreciation, effective 1 January 2016.
IAS 38	Intangible Assets – Amortisation, effective 1 January 2016.
IFRS 10	Consolidated Financial Statements, effective 1 January 2016*.
IAS 1	Presentation of Financial Statements – Disclosure Initiative, effective 1 January 2016*.
IFRS 15	Revenue from contracts with customers, effective 1 January 2018*.
IFRS 9	Financial instruments, effective 1 January 2018*.

Annual Improvements to IFRSs 2014 (published September 2014), effective 1 January 2016*.

** Not yet endorsed by the European Union.*

The company has taken note of the improvements and is currently assessing their consequences.

Principles of consolidation

New group companies are included in the consolidation at the time at which the company can exercise effective control over the company, because Beter Bed Holding holds the majority of voting rights or can control the financial and operating activities in another manner. The information is accounted for on the basis of full consolidation using uniform accounting policies. All intercompany balances and transactions, including unrealised gains on intercompany transactions, are eliminated in full.

The following companies are involved in the consolidation of Beter Bed Holding N.V. and its participating interests.

Name of statutory interest	Registered office	Interest %
BBH Beteiligungs GmbH	Cologne, Germany	100
BBH Services GmbH & Co K.G.	Cologne, Germany	100
Bedden & Matrassen B.V.	Uden, The Netherlands	100
Beter Bed B.V.	Uden, The Netherlands	100
Beter Bed Holding N.V. y Cia S.C.	Barcelona, Spain	100
Beter Beheer B.V.	Uden, The Netherlands	100
DBC International B.V.	Uden, The Netherlands	100
DBC Nederland B.V.	Uden, The Netherlands	100
DBC Deutschland GmbH	Cologne, Germany	100
El Gigante del Colchón S.L.	Barcelona, Spain	100
Linbomol S.L.	Barcelona, Spain	100
M Line Bedding S.L.	Barcelona, Spain	100
Madrasser Concord ApS	Copenhagen, Denmark	100
Matratzen Concord (Schweiz) AG	Malters, Switzerland	100
Matratzen Concord GmbH	Cologne, Germany	100
Matratzen Concord GmbH	Vienna, Austria	100
Procomiber S.L.	Barcelona, Spain	100
Schlafberater.com GmbH	Cologne, Germany	100
Literie Concorde SAS	Reichstett, France	100

Principles for the translation of foreign currencies

The consolidated financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and the reporting currency of the group. Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date; profit and loss account items are translated at the rate of exchange at the time of the transaction. The resultant exchange differences are credited or debited to the profit and loss account. Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participating interests are translated into euros at the average exchange rate per month and the closing rate for the year under review. On the disposal of a foreign entity, the deferred accumulated amount recognised in equity for the foreign entity concerned is taken through the profit and loss account.

Accounting policies

Property, plant and equipment

Items of property, plant and equipment other than land are valued at the cost of purchase or construction less straight-line depreciation based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of periodic valuations by an outside expert. Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and items of property, plant and equipment in the course of construction are not depreciated.

Items of property, plant and equipment are derecognised in the event of disposal or if no future economic benefits are expected from its use or disposal. Any gains or losses arising from its derecognition (calculated as the difference between the net proceeds on disposal and the carrying amount of the asset) are taken through the profit and loss account for the year in which the asset is derecognised. The residual value of the asset, its useful life and valuation methods are reviewed and if necessary adapted at the end of the financial year.

Leases

The determination whether an arrangement forms or contains a lease is based on the substance of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement gives the right to actually use the asset. Beter Bed Holding only has operating leases. Operational lease payments are recorded as expenses in the profit and loss account on a straight-line basis over the term of the lease.

Intangible assets

Initial measurement of intangible assets is at cost. The cost of intangible assets obtained through an acquisition is equal to the fair value as of the acquisition date. Thereafter, valuation is at cost minus accumulated amortisation and impairments. Development costs are capitalised when they are likely to generate future economic benefits.

Intangible assets are assessed in order to determine whether they have a finite or indefinite useful life.

Intangible assets are amortised over their useful life and tested for impairment if there are indications that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life are assessed in any event at the end of each period under review. Any changes in the expected useful life or expected pattern of the future economic benefits from the asset are recognised by means of a change in the amortisation period or method and must be treated as a change in accounting estimate. Amortisation charges on intangible assets with a finite useful life are recognised in the profit and loss account.

Any gains or losses arising from the derecognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Impairment of assets
The company reviews at each reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual impairment testing of an asset is required, the company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of the fair value of an asset or the cash-generating unit (after deduction of the selling costs) and the value in use. If an asset's carrying amount exceeds the recoverable amount, the asset is deemed to have been impaired and its value is written down to the recoverable amount. When assessing the value in use, the present value of the estimated future cash flows is determined, applying a discount rate before tax that takes into account the current market assessment of the time value of money and the specific risks associated with the asset.

An assessment is made on each reporting date of whether there are indications that an impairment loss recognised in prior periods no longer exists or has decreased. If there is any such indication, the recoverable amount is estimated. An impairment loss recognised in prior periods is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In that case, the carrying amount of the asset is increased to the recoverable amount. This increased amount cannot exceed the carrying amount that would have been determined (net of amortisation) if no impairment loss had been recognised for the asset in prior years. Any such reversal is recognised in profit or loss.

Derecognition of financial assets and liabilities
A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised if the group is no longer entitled to the cash flows from that asset or if substantially all risks and rewards of the asset have been transferred or – if substantially all risks and rewards of the asset have not been transferred – the entity has transferred 'control' of the asset.

A financial liability is derecognised when the obligation has been discharged or cancelled or has expired. If an existing financial liability is replaced by another from the same lender, under substantially different terms, or if substantial modifications are made to the terms of the existing liability, the replacement or modification is accounted for by recognising the new liability in the balance sheet and derecognising the original liability. The difference between the relevant carrying amounts is recognised in profit or loss.

Taxation
Tax liabilities for current or prior years are valued at the amount that is expected to be paid to the tax authorities. The amount is calculated on the basis of the tax rates set by law and enacted tax laws.

A provision is formed for deferred tax liabilities based on the temporary differences on the balance sheet date between the tax base of assets and liabilities and the carrying amount in these financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. The deferred tax liabilities are valued at nominal value.

Deferred tax assets are recognised for available tax loss carryforwards and deferred tax assets arising from temporary differences at the balance sheet date between the tax base of assets and liabilities and the carrying amount in these financial statements. They are valued at nominal value. Deferred tax assets arising from future tax loss carryforwards are only recognised to the extent that it is probable that sufficient future taxable profit will be available against which they can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and enacted tax laws.

Inventories
Inventories are valued at the lower of cost and net realisable value. The cost consists of the purchase price on the basis of weighted average purchase prices less purchase discounts and plus additional direct costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for settling the sale. Unrealised intercompany gains and losses are eliminated from the inventory valuation.

Cash and cash equivalents
Cash and cash equivalents on the balance sheet consist of bank balances and cash.

Provisions
Provisions are recognised for legal or constructive obligations existing at the balance sheet date for which it is probable that an outflow of resources will be required and whose amount can be reliably estimated. Provisions are carried at the best estimate of the amounts required to settle the obligation at the balance sheet date, which is the nominal amount of the expenditure expected to be required, unless stated otherwise.

Other assets and liabilities
Other assets and liabilities are valued at amortised cost. Where necessary an allowance for doubtful debts is applied for receivables. The notes contain a specification of any differences between the market value of these assets and liabilities and the amounts stated in the balance sheet.

Determination of the result

Revenue
The revenue is understood as the proceeds of the sale of goods and services to third parties less discounts and similar rebates, and sales taxes. Sales are recognised as revenue when the goods are delivered to consumers and other customers and all significant risks and rewards of ownership of the goods have been transferred to the buyer.

Cost of sales
This comprises the cost of the goods and services included in sales, after deduction of any payment discounts and purchase bonuses received, increased by directly attributable purchase and supply costs.

Expenses
The costs are determined in accordance with the aforementioned accounting policies, and are allocated to the financial year to which they relate. Interest is recognised as an expense in the period to which it relates.

Pensions
A variety of pension schemes are in use within the company. In the Netherlands, the majority of the employees participate in the Wonen Industrial Pension Fund. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. This arrangement is currently considered a 'defined benefit' scheme. This pension fund is not, however, able at present to provide data that enable a strict application of IAS 19. The principal reason for this is that the company's share in the Wonen Industrial Pension Fund cannot be sufficiently reliably determined. Consequently this pension scheme is accounted for as a defined contribution scheme.

Virtually all other pension schemes are defined contribution schemes. The contributions paid to the Wonen Industrial Pension Fund and to insurers respectively are recognised as expenses in the year to which they relate. There are no company-specific pension schemes in the other countries.

Depreciation and amortisation
Depreciation and amortisation is calculated using the straight-line method based on the expected economic life. Additions in the year under review are depreciated c.q. amortised from the date of purchase.

Cash flow statement

The cash flow statement is prepared using the indirect method. The 'cash and cash equivalents' item stated in the cash flow statement can be defined as cash and cash equivalents less current bank overdrafts, inasmuch as this does not relate to the current component of non-current loans. Current bank overdrafts are an integral part of cash flow management.

Share-based transactions

Members of the Management Board and a few other employees of the company receive remuneration in the form of payment transactions based on shares, whereby these employees provide certain services in return for capital instruments (transactions settled in equity instruments). The costs of the transactions settled with employees in equity instruments are valued at the fair value on the date of grant. Fair value is determined on the basis of a combined model of Black & Scholes and Monte Carlo simulations. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

The costs of the transactions settled in equity instruments are recognised, together with an equal increase in equity, in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the employees concerned become fully entitled to the grant (the date upon which it vests). The accumulated costs for transactions settled in equity instruments on the reporting date reflect the degree to which the vesting period has expired and also reflects the company's best estimate of the number of equity instruments that will eventually vest. The amount that is charged to the profit and loss account for a certain period reflects the movements in the accumulated expense.

Risks

The main financial risk consists in failing to achieve the budgeted revenue and therefore the planned cash margins, mainly as a result of changes in consumer behaviour in response to changing economic conditions. Revenues and order intakes for each formula are reported on a daily basis to manage this risk. On a weekly basis, data on realised margins, numbers of visitors, conversion and average tickets are added to them and commented on.

On the basis of the analyses, adjustments are made in the utilisation of marketing tools, including pricing policy and the use of advertising. In addition, cost budgets are periodically reviewed and adjusted if necessary. Economic and macroeconomic information from the market, including sector-specific reports, is also utilised.

Currency risks, arising mainly from purchases in dollars, are not hedged. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of approximately € 192 (2014: € 136) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. The currency risks owing to the presence and/or transactions in Switzerland and the potential volatility of the Swiss franc are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

Owing to the current capital structure of the company, interest rate risk is very limited. The effect on the result of a change (increase or decrease) in the interest rate of 50 basis points would be € 0 before tax (2014: € 0), on the basis of the use of the credit facilities at year-end 2015. The carrying amount of the financial liabilities is virtually equal to the fair value.

Credit risk is limited to the wholesale operations and trade receivables under bonus agreements. No specific measures are required for this, in addition to standard credit control. The fair value of receivables is equal to their carrying amount. The maximum credit risk equals the carrying amount of the receivables.

Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities can be found in the chapter current liabilities (see page 83). For an explanation of the other risks, please refer to the related section of the Report of the Management Board (see page 28).

Capital management

The company has a target solvency (equity/total assets) of at least 30% in accordance with the dividend policy. In addition, the ratio of net interest-bearing debt/EBITDA must not exceed two. The item inventories is by far the most important in the working capital. Targets have been defined for this for each formula. These variables are included in the weekly reports.

Solvency at year-end 2015 was 57.5% (2014: 58.6%). The net interest-bearing–debt/EBITDA ratio was 0.0 in 2015 (2014: 0.0).

EBITDA is defined as operating profit or loss before deprecation and amortisation of non-current assets and before disposals of non-current assets. Until 2015, the operating profit or loss was not adjusted for disposals in calculating EBITDA.

Information by segment

Various operating segments are identified within the group as they are reviewed by the decision-makers within the entity. These operating segments independently earn revenues and incur expenses. The principal operating segments are comparable in each of the following respects:

- Nature of the products and services
  The operating segments primarily sell mattresses, bedroom furnishings (including box springs), bed bases and bed textiles. The operating segments also provide the home delivery service.
- Customers for the products and services
  The operating segments sell direct to consumers, focusing specifically on customers in the 'value for money' segment.
- Distribution channels for the products and services
  The operating segments generate their revenue in stores (the offline retail channel) and also have a webshop (online retail channel). Online revenue compared with total revenue is similar for the operating segments.
- Economic characteristics
  The operating segments have similar economic characteristics, e.g. in terms of revenue, gross profit and inventory turnover rate.

In view of the comparability of the above characteristics, the operating segments are aggregated into a single reportable segment.

Seasonal pattern

Owing to the seasonal pattern in consumer demand, revenue and net profit are usually lower in the second and third quarter than in the first and fourth quarter.

Estimates

In preparing the financial statements, the Management Board is required to exercise judgment, make assumptions and estimates that affect the application of the accounting standards and the valuation of the recognised assets and liabilities and income and expenses. Owing to those judgments, assumptions and estimates, the actual valuation may subsequently differ materially from the reported valuation.

The actual timing of the utilisation of amounts in provisions is uncertain when determining them beforehand. Judgments, assumptions and estimates are continually reviewed and are based on historical experience and other factors, including future expectations. These future expectations are based on reasonable expectations concerning the relevant factors affecting the financial statement item concerned.

Adjustments of estimates are recognised in the period in which those adjustments are made and, where relevant, in the future periods concerned.

Where significant estimates are made when drawing up the financial statements, an explanation is provided in the notes for each item in question. Accounting estimates were applied mainly for the measurement of intangible assets and property, plant and equipment and the provision for onerous contracts and taxation.

Accounting for acquisitions

Acquisitions are accounted for on the basis of the *purchase accounting* method. From the date of acquisition, the results and the identifiable assets and liabilities of the acquired company are included in the consolidated financial statements. The date of acquisition is the date on which control can be exercised in the company concerned. The purchase price comprises the cash amount or equivalent thereof that has been agreed to acquire the acquiree plus any directly attributable costs. Any amount by which the purchase price exceeds the net amount of the fair value of the identifiable assets and liabilities is capitalised as goodwill under intangible assets. If the purchase price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (badwill) is credited to profit or loss.

Acquisition of BettenMax

On 22 October 2015, Beter Bed Holding N.V. acquired, through its wholly-owned subsidiary Matratzen Concord GmbH, established in Vienna, Austria, all shares in BettenMax GmbH, established in Heiligenkreuz, Austria, from Bettissimo AG, established in Gütersloh, Germany. On 27 November 2015, a merger took place between Matratzen Concord and BettenMax with retroactive effect to 1 March 2015, in which Matratzen Concord GmbH was the acquirer.

Both Matratzen Concord and BettenMax are Austrian retailers in the field of mattresses and bed textiles. Both are active in the 'value-for-money' segment. The BettenMax formula matches the business model and the retail format of Matratzen Concord and operational, commercial and financial synergies can be realised. With the acquisition of BettenMax, Beter Bed Holding will obtain both market leadership and nation-wide coverage.

The purchase amount for the shares has been set at one euro. The net fair values of the assets and liabilities of BettenMax were respectively € 2,193 and € 1,800 at the acquisition date. The badwill involved in the acquisition therefore amounted to € 393. This badwill arose mainly due to the capitalisation of tax losses available for set-off of some € 0.8 million. The badwill has been recognised as income in other expenses.

The revenue of the acquired activities from 22 October to 31 December 2015 amounted to € 1.5 million. The operating profit in this period amounted to € 0.1 million negative.

NOTES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

in thousand €, unless otherwise stated

1. Property, plant and equipment

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January 2014	**5,460**	**3,515**	**16,616**	**25,591**
Additions	-	79	11,293	11,372
Currency adjustment	-	-	17	17
Disposals	-	-	(1,002)	(1,002)
Depreciation	-	(354)	(6,735)	(7,089)
Book value 31 December 2014	**5,460**	**3,240**	**20,189**	**28,889**
Accumulated depreciation	-	5,953	72,550	78,503
Accumulated revaluation	(3,797)	-	-	(3,797)
Purchase price	**1,663**	**9,193**	**92,739**	**103,595**
Book value 1 January 2015	**5,460**	**3,240**	**20,189**	**28,889**
Additions	**1,719**	**1149**	**11,725**	**14,593**
Revaluation	**(47)**	**-**	**-**	**(47)**
Currency adjustment	**-**	**-**	**82**	**82**
Disposals	**-**	**-**	**(591)**	**(591)**
Depreciation	**-**	**(390)**	**(8,016)**	**(8,406)**
Book value 31 December 2015	**7,132**	**3,999**	**23,389**	**34,520**
Accumulated depreciation	**-**	**6,343**	**70,314**	**76,657**
Accumulated revaluation	**(3,750)**	**-**	**-**	**(3,750)**
Purchase price	**3,382**	**10,342**	**93,703**	**107,427**

The additions to land and the majority of the additions to buildings relate to the acquisition of the distribution centre in Nieuw-Vennep that was previously rented.

The (reversal of the) revaluation of € 47 relates to the land in Uden, Nieuw-Vennep and Hoogeveen, as well as the value of the land forming part of the retail properties owned. These retail properties are located in Elst, Den Helder, 's Hertogenbosch and Uden. The land forming part of the retail properties was valued on 30 June 2015 and the land forming part of the distribution centres in Uden and Hoogeveen was valued on 25 November 2015, both by an independent valuer. The valuation of the distribution centre in Nieuw-Vennep was performed on 25 July 2014 by an independent valuer. The valuations have been performed using the rental value capitalisation method.

As a result of the modification of the Beter Bed stores and some of the Matratzen Concord stores to the updated image and the new logo a disposal with a carrying amount of € 591 took place; the cost of these other non-current operating assets was € 11,099.

The items of property, plant and equipment are intended for own use.

2. Intangible assets

	2015	2014
Book value 1 January	**3,517**	2,833
Additions	**1,370**	1,839
Currency adjustment	**9**	-
Disposals	**-**	(2)
Amortisation	**(1,419)**	(1,153)
Book value 31 December	**3,477**	3,517
Accumulated amortisation	**6,260**	4,839
Purchase price	**9,737**	8,356

The intangible operating assets consist mainly of licences and software

3. Financial assets

The financial assets consist on the one hand of non-current receivables of € 395 (2014: € 271) and on the other of deferred tax assets of € 1,185 (2014: € 497).

The non-current receivables relate to guarantee deposits for the rental agreements for stores. These are classified under financial assets due to the non-current nature of these receivables.

The deferred tax assets at 31 December 2015 can be broken down as follows:

	2015	2014
Tax loss carryforwards	**632**	31
Difference tax and financial reporting valuation (in)tangible assets	**291**	323
Difference tax and financial reporting valuation pension	**251**	141
Difference tax and financial reporting valuation stock	**11**	2
Balance at 31 December	**1,185**	497

At year-end 2015, a deferred tax asset of € 632 (2014: € 31) was recognised in financial assets for future loss carryforwards. This asset arose on the acquisition of BettenMax. At the time of the acquisition, BettenMax had tax losses available for carryforward that had not been capitalised. As Beter Bed Holding expects, on the basis of the currently available information, to be able to set off these tax losses within five years, they have been capitalised in full.

An amount of € 8,824 (2014: € 7,623) in loss carryforwards has not been recognised. Beter Bed Holding's policy is that tax losses available for carryfoward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information. These tax losses available for carryfoward expire as follows:

Term	
1 year	-
2 to 5 years	-
6 to 10 years	695
11 to 15 years	4,220
Indefinite	3,909

Movements in deferred tax assets in 2015 and 2014 were as follows:

	2015	2014
Balance at 1 January	**497**	549
Through profit and loss account	**(70)**	(52)
From takeover subsidiary	**758**	-
Through equity	**-**	-
Balance at 31 December	**1,185**	497

4. Inventories

This comprises inventories held in stores of € 50,962 (2014: € 47,923) and inventories held in warehouses of € 6,964 (2014: € 5,558). The write-down for possible obsolescence included in this item can be broken down as follows:

	2015	2014
Balance at 1 January	**1,673**	2,357
Additions	**806**	82
Withdrawals	**(846)**	(766)
Balance at 31 December	**1,633**	1,673

In view of the amount of the gross profit, the turnover rate and the fact these products are generally not dependent on trends to any significant extent, the risk of obsolescence of inventories is comparatively low. The prices realised in sales of obsolescent inventories usually exceed their cost.

The provision for obsolescent inventories consists mainly of returned goods that cannot be returned to suppliers, damaged products, showroom products, products that will no longer be carried and products with a very low turnover. The direct net realisable value is estimated for each of these categories. If the carrying amount exceeds the direct net realisable value, the inventories are written down by this difference.

The total carrying amount of inventories for which there is a risk of obsolescence is € 3,240 (2014: € 3,616). The direct net realisable value of these inventories is € 1,607 (2014: € 1,943). Therefore the percentage of inventories for which there is a risk of obsolescence compared with total inventories was 5.4% (2014: 6.6%).

5. Receivables

All receivables fall due within less than one year and are carried at amortised cost, which is equal to the nominal value. Sales in stores and deliveries are settled in cash. Receivables relate mainly to receivables due from wholesale customers and trade receivables arising from agreed bonuses.

Provisions are recognised for individual receivables if there are objective indications that the probability of uncollectibility for them exceeds 50%. This assessment is performed on the basis of past experience and other relevant information, such as bankruptcy of the debtor concerned.

A provision of € 67 (2014: € 60) has been recognised for receivables due from wholesalers. This is 47.9% (2014: 44.9%) of the overdue receivables.

6. Cash and cash equivalents

This item relates to cash, cheques and bank balances. The amount consists of the following: cash € 301 (2014: € 260), bank balances € 23,495 (2014: € 19,361) and cash in transit € 1,716 (2014: € 1,262).

7. Equity

Movements in equity items are shown in the consolidated statement of changes in equity (see page 69). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each.

Movements in the number of issued and fully paid-up shares and movements in the number of treasury shares are shown below:

	2015	2014
Issued and paid-up shares as at 1 January	**21,905,562**	21,805,117
Share issue on exercise of employee stock options	**50,000**	100,445
Issued and paid-up shares as at 31 December	**21,955,562**	21,905,562
Shares in portfolio as at 1 January	**2,723**	23,805
Repurchased during the year	**-**	-
(Re)issue on exercise of options	**(2,723)**	(21,082)
Sale of shares in portfolio	**-**	-
Shares in portfolio as at 31 December	**-**	2,723

A total of 52,723 shares were sold at a price of € 15.23 with a view to the exercise of employee stock options, resulting in an increase in consolidated statement of changes in equity (see page 69) of € 803.

The treasury shares have not yet been cancelled and therefore not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.

The revaluation reserve relates to land.

A proposal will be submitted to the Annual General Meeting of Shareholders to distribute a final dividend in cash of € 0.48 per share. The total dividend for 2015 will therefore amount to € 0.87 per share (2014: € 0.65).

8. Provisions

The formula portfolio in the Benelux was streamlined in 2014. The strategic focus is on the Beter Bed and Beddenreus formulas. The operations of the Matrassen Concord the Netherlands and Belgium and Slaapgenoten formulas were therefore discontinued in the course of 2014.

A provision for onerous contracts has been formed for the long-term leases relating to the stores of these two formulas. This provision is based on the rent and the remaining term, taking account of a subletting probability and a mark-up for service costs.

The provision for onerous rental contracts can be broken down as follows:

	2015	2014
Balance at 1 January	**2,055**	4,542
Additions	**-**	-
Withdrawals	**(714)**	(1,885)
Releases	**(443)**	(602)
Balance at 31 December	**898**	2,055
Of which current (in other liabilities)	**360**	804
Total provision for onerous rental contracts	**538**	1,251

The release in 2015 is due to early termination and/or buy-out of five rental contracts (€ 293) as well as an adjustment of subletting probability (€ 150).

9. Deferred tax liabilities

The deferred tax liabilities relate mainly to the differences between the valuation of inventories and non-current assets, including land, in the Netherlands, Germany and Switzerland for tax and financial reporting purposes. These differences are long-term in nature. The deferred tax liabilities at 31 December 2015 can be broken down as follows:

	2015	2014
Revaluation of company land	**937**	949
Difference tax and financial reporting valuation stocks	**699**	614
Difference tax and financial reporting valuation tangible assets	**563**	655
Difference tax and financial reporting valuation rent obligations	**80**	-
Total	**2,279**	2,218

Movements in this item in 2015 and 2014 were as follows:

	2015	2014
Balance at 1 January	**2,218**	2,424
Through profit and loss account	**73**	(206)
Through equity	**(12)**	-
Balance at 31 December	**2,279**	2,218

10. Current liabilities

To fund the group the company has current account facilities totalling € 41.5 million at its disposal. Furthermore, facilities totalling € 7.3 million are available for providing guarantees.

For the purpose of the current account facilities, the company and its subsidiaries have undertaken not to encumber their assets with any security rights without the prior consent of the lenders.

These current account facilities include two committed facilities in the amount of € 10.0 million each which will expire on 10 July 2020 and 15 July 2020 respectively. No security has been provided for the committed facilities. The main conditions of the credit facilities are a minimum solvency of 25% and a maximum interest-bearing debt/EBITDA ratio of 2.5.

At the end of the year under review, the current account facilities were only used for providing bank guarantees, mainly for the purpose of rent payments in the amount of € 0.5 million (2014: € 0.7 million). Of the facilities available specifically to provide guarantees, a total € 6.0 million was used at year-end 2015 (2014: € 6.1 million).

The other liabilities can be broken down as follows:

	2015	2014
Prepayments	**8,525**	7,532
Accruals personnel and staf benefits	**8,146**	8,653
Other	**2,937**	4,013
Total	**19,608**	20,198

The item accrual for staff costs and employee benefits includes a pension liability for a former employee. This liability of € 1.4 million (2014: € 1.4 million) has been calculated on an actuarial basis.

11. Financial liabilities

	up to 3 months	3 to 12 months	1 to 5 years
2015			
Accounts payable	**22,903**	**-**	**-**
Credit institutions	**-**	**-**	**-**
Total	**22,903**	**-**	**-**
2014			
Accounts payable	17,517	-	-
Credit institutions	-	-	-
Total	**17,517**	**-**	**-**

The market value of the financial liabilities approximates their amortised cost.

12. Information by geographical area

Revenue by country	**2015**	**%**	2014	%
Germany	**222,792**	**58**	213,159	58
The Netherlands	**115,254**	**30**	109,203	30
Other countries	**48,744**	**12**	42,660	12
Intercompany adjustment	**(1,350)**	**-**	(1,069)	-
Total	**385,440**	**100**	363,953	100

(In)tangible fixed assets by country	**2015**	2014
The Netherlands	**23,580**	19,361
Germany	**10,853**	10,194
Other countries	**3,564**	2,851
Total	**37,997**	32,406

13. Staff costs

The operating expenses include the following wage and salary components:

	2015	2014
Wages and salaries	75,611	74,637
Social security costs	14,106	13,371
Pension costs	2,267	2,289
Employee stock options	192	(439)
Total	92,176	89,858

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 83 relate to the current and former members of the company's Management Board (2014: release of € 116).

Average number of employees

The companies included in the consolidation had an average of 2,427 employees (FTE) in 2015 (2014: 2.388):

	2015	2014
Germany	1,560	1,558
The Netherlands	586	576
Spain	61	49
Austria	122	117
Switzerland	87	79
Belgium	11	9
Total	2,427	2,388

14. Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. Until 2013, the costs of the options programme were calculated using the Black & Scholes model. With effect from 2013, the costs of the options programme are calculated using a combined model of Black & Scholes and Monte Carlo simulations. An overview of the details of the options granted and still outstanding, as well as the values employed in the Black & Scholes model, is provided below.

The conditions were changed with effect from the options series 2013. In the first three years after the award of the options granted, 33.3% of the options will vest annually if the 'Total Shareholder Return' (TSR = share price gains plus dividend distributed) of Beter Bed Holding N.V. exceeds the 'Total Shareholder Return of the AScX, based on the year of the award. In addition, the employee is required to continue to be employed by the company for three years. Options can only be exercised if these conditions are met after three years. The previous options policy/options contract will continue to apply up to 2012 for options already granted.

From the 2013 series, this means that the calculation will be based on three different Black & Scholes values, risk-free interest rates and volatility percentages. The ranges of those percentages are set out in the table below.

	2015	2014	2013	2011	2010
Number granted	**186,000**	166,700	166,500	218,000	218,000
waarvan A.H. Anbeek	***50,000***	*40,000*	*50,000*	*50,000*	*50,000*
waarvan B.F. Koops	***40,000***	*32,000*	*0*	*0*	*0*
Number outstanding	**186,000**	162,700	50,500	158,050	152,625
Value according to Black & Scholes	**€ 2.19 - € 2.67**	€ 1.78 - € 1.93	€ 1.26 - € 1.76	€ 1.58	€ 3.54
Exercise from	**19-5-2018**	19-5-2017	25-4-2016	28-10-2013	29-10-2012
Exercise through	**19-5-2020**	19-5-2019	25-4-2018	28-4-2017	29-4-2016
Profit target (in millions)	**-**	-	€ 32.0	€ 32.0	€ 25.0
Profit target achieved in year	**-**	-	-	-	-
TSR > AScX	**No**	Partly (33,3%)	No	-	-
Share price on the allotment date	**€ 22.79**	€ 17.37	€ 14.09	€ 14.67	€ 19.07
Exercise price	**€ 22.79**	€ 17.37	€ 14.09	€ 14.67	€ 19.07
Expected life	**5 years**	5 years	5 years	3.8 years	3.8 years
Risk-free rate of interest (%)	**0.30**	0.78 - 0.46	0.75 - 0.48	1.71	2.25
Volatility (%)[1]	**26.58**	27.50 - 21.94	31.93 - 30.19	32.15	40.40
Dividend yield (%)	**5.40**	5.20	5.90	9.00	7.35

1 *Expected volatility is based on end-of-month closing prices for the most recent period with a length equalling the expected term with a maximum of five years.*

A total of 52,723 options were exercised in 2015 at a price of € 15.23. This related to 52,723 options from the 2009 series. In 2015, another 24,583 options expired, as a number of employees holding options left the company before the expiration dates. No options expired in 2015 due to the expiry of their term. However, a portion of the options expired because the vesting conditions were not satisfied. The series concerned is the series 2013 part II. Lastly, 186,000 new options were granted in 2015. See the summary of options series outstanding (see page 13).

15. Depreciation and amortisation

	2015	2014
Depreciation and impairment on tangible assets	**8,406**	7,089
Amortisation and impairment on intangible assets	**1,419**	1,153
Total of depreciation, amortisation and impairment	**9,825**	8,242

The depreciation and amortisation rates applied are based on expected economic life and are as follows:

Company land	0%
Buildings	3.33%
Other fixed operating assets	10% tot 33%
Software, licenses and other	10% tot 33%

16. Other operating expenses

The other operating expenses comprise € 45.2 million in rental and lease costs (2014: € 45.6 million), with the remainder relating mainly to selling and distribution costs.

17. Income taxes

The reconciliation between the tax liability and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2015 and 31 December 2014:

	2015	2014
Profit before taxes	**30,648**	22,743
At the applicable legal rate of 25.0% in the Netherlands (2014: 25.0%)	**7,662**	5,686
Adjustment profits tax previous years	**(40)**	109
Permanent differences	**(1,559)**	(1,613)
Future loss set-off not included	**397**	407
Recognition of previously unrecognized deferred tax assets	**-**	-
Effect of the tax rates outside the Netherlands	**1,629**	1,294
At an effective tax rate of 26.4% (2014: 25.9%)	**8,089**	5,883
Profit tax in the consolidated profit and loss account	**8,089**	5,883

The item tax in the profit and loss account comprises the following:

	2015	2014
Tax for current year	**7,985**	5,929
Adjustment of profit tax for prior years	**(40)**	109
Temporary differences	**(14)**	(208)
Utilization tax loss carryforwards	**158**	53
Profit tax in the consolidated profit and loss account	**8,089**	5,883

18. Remuneration of the Management and Supervisory Boards

The remuneration of members of the Management Board was as follows in 2015 and 2014:

	A.H. Anbeek		B.F. Koops		Total	
	2015	2014	**2015**	2014	**2015**	2014
Salary	**350**	323	**250**	200	**600**	523
Variable remuneration	**180**	169	**91**	85	**271**	254
Pension	**105**	97	**63**	50	**168**	147
Employee stock options	**52**	(125)	**31**	9	**83**	(116)
Social security charges	**15**	9	**15**	9	**30**	18
Lease car	**13**	13	**16**	16	**29**	29
Total	**715**	486	**466**	369	**1,181**	855

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year. The variable remuneration of the CEO is based for 50% on the achievement of quantitative targets; the remaining 50% depends on the achievement of qualitative targets. The CFO's variable remuneration is based for 40% on the achievement of quantitative results while the remaining 60% is based on the achievement of qualitative targets. For more detailed information, see remuneration report (see page 58).

The costs listed under 'Employee stock options' represent the amount accounted for in the profit and loss account for that year.

The remuneration of the members of the Supervisory Board was as follows in 2015 and 2014:

	2015	2014
D.R. Goeminne	**40**	37
A.J.L. Slippens	**26**	23
E.A. de Groot	**30**	27
W.T.C. van der Vis	**30**	27
Total	**126**	114

The members of the Management Board and the Supervisory Board hold no shares or exercisable options on shares in Beter Bed Holding N.V.

19. Earnings per share

The net profit of € 22.6 million divided by the average number of outstanding shares totalling 21,947,224 equates to earnings per share of € 1.03 in 2015. Due to the options series outstanding, the number of shares used for the calculation of diluted earnings per share is equal to 22,053,956. This results in diluted earnings per share of € 1.02.

20. Commitments not included in the balance sheet

The company has entered into long-term rental and lease obligations concerning buildings and other operating assets. The minimum obligation on the balance sheet date can be broken down as follows:

Duration	2016	2017	2018	2019	2020	after 2020
Rental agreements	39,291	25,773	15,974	9,797	5,802	1,388
Lease agreements	2,022	1,395	914	553	312	283
Total	**41,313**	**27,168**	**16,888**	**10,350**	**6,114**	**1,671**

The majority of the rental agreements for the company premises required for the Beter Bed formula are long-term agreements (between five and ten years), with options for renewal. The majority of the rental agreements for the Matratzen Concord formula have been concluded for a period between five to ten years, and include a clause stipulating that the agreements can be terminated without charge within the first two years.

In the year under review, amounts of € 42.6 million (2014: € 43.1 million) arising from rental agreements and € 2.6 million (2014: € 2.5 million) arising from lease agreements were accounted for in the profit and loss account.

At year-end 2015, the Wonen Industrial Pension Fund for the Home Furnishings Industry had an estimated funding ratio 98.6% (year-end 2014: 111.2%). As at 31 December 2015, the company had no additional obligation.

21. Audit fees

The fees for the audit of the financial statements and other non-audit services by the independent auditor PwC Accountants N.V. (2014: Ernst & Young Accountants LLP) were:

	2015	2014
Audit of financial statements	**205**	207
Other non-audit services	**-**	16
Total	**205**	223

The fees for the audit of the financial statements and other non-audit services performed by PwC Accountants N.V. in the Netherlands were €104.

The other non-audit service in 2014 relates to the review of the interim figures.

22. Related parties

The companies listed in principles of consolidation (see page 71) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from legal transactions entered into by these group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Section 403, paragraphs 1 and 3, of Part 9, Book 2 of the Dutch Civil Code.

The financial relationships between Beter Bed Holding N.V. and its participating interests consist almost fully in receiving dividends and receiving interest on loans provided.

23. Events after the balance sheet date

No events that are required to be disclosed occurred in the period between the end of the year under review and the preparation of these financial statements.

COMPANY FINANCIAL STATEMENTS

Company balance sheet

At 31 December

in thousand € (before proposed profit appropriation)	Notes	2015	2014
Fixed assets			
Tangible assets		**1**	3
Intangible assets		**155**	154
Financial assets	1.	**165,636**	159,228
Total fixed assets		**165,792**	159,385
Current assets			
Receivables	2.	**3,184**	3,069
Cash and cash equivalents	3.	**4**	9
Total current assets		**3,188**	3,078
Total assets		**168,980**	162,463

in thousand € (before proposed profit appropriation)	Notes	2015	2014
Capital and reserves	4.		
Issued share capital		**439**	438
Share premium account		**18,434**	17,673
Reserve for currency translation differences		**1,097**	814
Revaluation reserve		**2,812**	2,847
Other reserves		**30,409**	30,003
Retained earnings		**22,559**	16,860
Total equity		**75,750**	68,635
Liabilities			
Provisions	5.	**13,843**	12,857
Current liabilities	6.	**79,387**	80,971
Total liabilities		**93,230**	93,828
Total equity and liabilities		**168,980**	162,463

Company profit and loss account

in thousand €	**2015**	2014
Net profit of participating interests	**17,980**	11,819
Other income / expenses	**4,579**	5,041
Net profit	**22,559**	16,860

NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

General

The registered office of Beter Bed Holding N.V. is Linie 27, Uden, the Netherlands. The financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union and applied to the consolidated financial statements. The participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, after which a write-down is applied to the amounts owed by this participating interest insofar as these are an increase of the net investment in the participating interest, and then a provision is formed.

Beter Bed Holding N.V. had an average number of 7 employees (FTE) in 2015 (2014: 5).

The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise. The option provided by Section 402 of Book 2 of the Dutch Civil Code to include an abbreviated profit and loss account in the company financial statements has been used.

The note on executive remuneration (see page 88) is included in the notes to the consolidated balance sheet and profit and loss account.

The fees charged for the audit of the financial statements and other non-audit services by the auditor PwC Accountants N.V. (2014: Ernst & Young Accountants LLP) are also disclosed in the notes to the consolidated balance sheet and profit and loss account.

1. Financial assets

This item includes the participating interests in the group companies (see page 71) and the amounts owed by the group companies.

The item loans to participating interests includes loans in accordance with market conditions to Beter Beheer B.V and Matratzen Concord GmbH carried at € 87,240, (2014 € 87,240) and € 0 (2014 € 1,000) respectively. The loan to Beter Beheer B.V. is a fixed-interest loan at an interest rate of 7% (2014: 7%). The loan to Matratzen Concord GmbH is a variable-interest loan (Euribor plus 5%). The remaining term to maturity of the loan to Beter Beheer B.V. is three years. The loan to Matratzen Concord GmbH was repaid in December 2015. No security was provided for these loans. The fair value of the loans is equal to their nominal value.

Movements in this item were as follows:

	Participating interests in group companies	Loans	Total
Balance at 1 January 2014	**60,543**	**88,089**	**148,632**
Profit from participating interests in 2014	13,259	151	13,410
Dividend paid	(1,029)	-	(1,029)
Capital contribution	48	-	48
Exchange gain	59	-	59
Granted loans to group companies	-	-	-
Repaid loans to group companies	-	-	-
Merger participating interests	(1,892)	-	(1,892)
Balance at 31 December 2014	**70,988**	**88,240**	**159,228**
Balance at 1 January 2015	**70,988**	**88,240**	**159,228**
Profit from participating interests in 2015	18,966	-	18,966
Dividend paid	(12,056)	-	(12,056)
Capital contribution	250	-	250
Exchange gain	283	-	283
Revaluation	(35)	-	(35)
Granted loans to group companies	-	-	-
Repaid loans to group companies	-	(1,000)	(1,000)
Balance at 31 December 2015	**78,396**	**87,240**	**165,636**

2. Receivables

	2015	2014
Group companies	**545**	323
Taxes and social security contributions	**33**	402
Other receivables	**2,606**	2,344
Total	**3,184**	3,069

All receivables fall due within one year.

Beter Bed Holding uses a cash pool structure as a result of which there are minimal and very short-lived current account intra-group balances.

3. Cash and cash equivalents

This item relates to the balance of cash in hand and at the bank. The cash and cash equivalents are at the full disposal of the company.

4. Equity

The company's authorised capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each. At the end of 2015 21.955.562 shares had been issued and paid up (2014: 21.905.562).

There are no shares that have been repurchased and not yet cancelled. Repurchased shares are no longer included in the earnings per share calculation.

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 69). The revaluation reserve is the statutory revaluation reserve and relates to company land. The reserve for currency translation differences is also a statutory reserve. Neither reserve is freely distributable.

5. Provisions

At year-end 2015 and 2014 the provisions consisted in full of the provision for participating interests. The participating interests provision is a provision for participating interests that have negative net asset value after setting off loans provided by the company. The movements in the provisions in 2015 and 2014 are as follows:

	2015	2014
Balance at 1 January	**12,857**	13,208
Profit from participating interests	**986**	1,591
Capital contribution	**-**	(50)
Merger participating interests	**-**	(1,892)
Balance at 31 December	**13,843**	12,857

6. Current liabilities

The breakdown of this balance sheet item is as follows:

	2015	2014
Credit institutions	**78,334**	80,053
Taxes and social security contributions	**246**	-
Other liabilities, accruals and deferred income	**807**	918
Total	**79,387**	80,971

Beter Bed Holding uses a cash pool structure as a result of which there are minimal and very short-lived current account intra-group balances.

7. Commitments not included in the balance sheet

Together with the other Dutch operating companies, the company is part of a tax entity for corporation tax purposes. Each of the operating companies is jointly and severally liable for the tax payable of all operating companies included in the tax entity. The company settles the corporation tax with the operating companies concerned on the basis of the profit or loss before income tax of the operating company concerned.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from all legal transactions entered into by these group companies.

Uden, The Netherlands, 10 March 2016

Management Board
A.H. Anbeek
B.F. Koops

Supervisory Board
D.R. Goeminne
A.J.L. Slippens
E.A. de Groot
W.T.C. van der Vis

ADDITIONAL DETAILS

Post-balance sheet events

No events that are required to be disclosed occurred in the period between the end of the year under review and the preparation of these financial statements.

Appropriation of profit

Appropriation of profit pursuant to the articles of association

Article 34 of the Articles of Association states the most important provisions pertaining to the appropriation of profit:

Paragraph 1
Every year the Management Board, subject to approval from the Supervisory Board, determines the proportion of the company's profit – the positive balance of the profit and loss account – to be added to the company's reserves.

Paragraph 2
The profit remaining after the reservation pursuant to the previous paragraph shall be placed at the disposal of the Annual General Meeting.

Appropriation of profit

2015	
Profit for the year	22,559
Interim dividends paid	(8,563)
Addition to reserves[1]	(3,457)
Available for payment	**10,539**

1 On the basis of the balance of outstanding and repurchased shares as at 31 December 2015.

The proposal for the appropriation of profit has not been taken into the balance sheet.

Independent auditor's report

To: the general meeting and supervisory board of Beter Bed Holding N.V.

Report on the financial statements 2015

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2015 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited page 61 to 94 of the accompanying financial statements 2015 of Beter Bed Holding N.V., Uden ('the company'). The financial statements include the consolidated financial statements of Beter Bed Holding N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the consolidated profit and loss account and the consolidated statements of comprehensive income, consolidated cash flows statement and consolidated statement of changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2015;
- the company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Beter Bed Holding N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a retailer. Due to the fact that there is a high level of automation and IT, we have added IT specialists to our audit team to perform procedures necessary to assess and validate IT systems as part of our audit procedures. Furthermore, we included specialists in the areas of income tax and employee benefits in our team.

The audit of the 2015 financial statements is our first year as auditor of Beter Bed Holding N.V. Therefore we have performed procedures related to the transition in addition to our regular audit procedures. These transition related procedures include, besides others, the following:

- Procedures to obtain sufficient comfort over the 1 January 2015 opening balances, including contacting the previous auditors and review of their audit files related to the 2014 audit.

- Procedures to gain a detailed understanding of the company and the environment it is operating in, including internal controls and IT. Based on this understanding, we have prepared our risk analysis and audit plan which were presented and discussed with the management board and the audit committee of the supervisory board.

Materiality

- Overall materiality: €2,890,000 which represents 0.75% of revenue.

Audit scope

- We conducted audit work on the financial reporting of Beter Bed B.V. and Matratzen Concord GmbH as part of the audit of the consolidated financial statements of Beter Bed Holding N.V.
- There were 2 components where we have performed audit procedures on specific line items of the financial reporting of these components.
- Audit coverage: 86% of consolidated revenue.

Key audit matters

- Accuracy of revenue
- Existence and valuation of inventories

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€2,890,000
How we determined it	0.75% of revenue.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The materiality allocated across components was €2,000,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €100,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Beter Bed Holding N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Beter Bed Holding N.V.

The group audit focused on the significant components Matratzen Concord GmbH and Beter Bed B.V. which were subjected to audits of their complete financial information as those components are individually significant to the group. Beter Bed Beheer B.V. and BBH Services GmbH & Co. K.G. were subjected to specific risk-focused audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	86%
Total assets	86%
Profit before tax	74%

The remaining components represented less than 5% of total group revenue. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

As the auditor of the group we used the work performed by the component auditor of Matratzen Concord GmbH. Before the start of their audit procedures we have shared detailed instructions including the results of our risk analysis performed as part of our audit of the financial statements of Beter Bed Holding N.V. We determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We have access to the audit file of the Matratzen Concord GmbH audit team and the group engagement team visited the component team multiple time throughout the year. For this year’s audit we attended both the clearance meeting of the half year review procedures as well as the clearance meeting of the year-end audit procedures in Germany.

The group consolidation, financial statement disclosures and a number of complex items such as share based payments, taxes, related notes and the company financial statements of Beter Bed Holding N.V. are audited by the group engagement team at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter	***How our audit addressed the matter***
Accuracy of revenue *Note 12 to the consolidated profit and loss account in the financial statements* Revenue is an important measure used to evaluate the performance of the company (also refer to the materiality). There is a risk that the revenue is presented for amounts higher than what has been actually generated by the company. Revenue is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for Beter Bed have been transferred as a result. Revenue is generated through store sales as well as online sales. Delivery has been completed when goods are paid and transferred to the customer in store, or when goods are paid by the customer and delivered on location. These transactions are mainly processed automatically through IT. Based on the high IT dependency and the potential effects of inaccurate revenue transactions on margin, we have concluded that the accuracy of revenue is a key audit matter that will be addressed in our audit.	Our audit procedures include testing of design, existence and operating effectiveness of (automated) internal control procedures implemented as well as test of details to ensure accurate processing of revenue transactions. The most important internal control procedure for the accuracy of the revenues is the automated three-way-match in SAP. We have reperformed the three-way-match between order-delivery-invoice/payment by using data-analysis software and identified a relatively low number of exceptions, which were not material in nature and size of the exception. The results of our controls testing and reperformance of the three-way-match have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources. Furthermore, we have performed analytical procedures on gross-margin through detailed store comparison.

Key audit matter	*How our audit addressed the matter*
Existence and valuation of inventories *Note 4 to the consolidated balance sheet in the financial statements* Total inventories of €58 million represent 44% of total assets of Beter Bed Holding N.V. These inventories mainly consist of inventories in the stores and inventories kept at the distribution centers. Valuation of the inventories is at cost or at lower net realizable value. Valuation at cost includes different components including allocated supplier bonuses. The allocation of supplier bonuses and the assessment of revaluation of inventories to net realizable value is mainly based on management estimates. This, in combination with the significant share of inventories as part of total assets, made us conclude that existence and valuation of inventories are a key audit matter of our audit. Furthermore, inventories are an important factor to consider in our procedures on the revenues, where purchased inventories that are not part of the physical inventories should have been sold.	Our audit procedures to test the existence of the inventories mainly consist of testing the relevant internal control procedures, specifically by testing the inventory cycle counts that are periodically performed by management and the automated recording of sales transactions (three-way-match). Throughout the year, we have attended a selection of inventory cycle counts in stores and in the distribution centers, to validate counts performed by the company. We compared our count results with the results of the counts by Beter Bed representatives. Furthermore, we have applied data-analysis software on the source data in SAP to reperform the three-way-match between order-delivery-invoice/payment. The results of the reperformance have been compared to the results of the automatically processed revenue transactions in inventories. We did not identify any material differences between our procedures and management's registration. To validate the valuation of inventories, we performed test of details on actual margins and valuation of obsolete inventories. We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales invoices from January and February 2016 to validate management's assessment and decision whether inventories should or should not be provided for. Furthermore we analysed the inventory turnaround and compared that to management's estimates on obsolete inventories. For the allocation of supplier bonuses to the valuation of inventories at cost we recalculated the supplier bonuses per supplier based on supporting contracts. The settled supplier bonuses were tested by reconciling them to the bank statements. Unsettled bonuses have been validated by assessing the quality of historical estimates. Furthermore we have validated mathematical accuracy of the allocation to inventories as per year end based on the inventory turnaround. Based on the procedures described we consider management's estimates, which are the basis of the inventory valuation, as acceptable.

Responsibilities of the management board and the supervisory board

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going-concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the report of the management board and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the management board and the other information):

- We have no deficiencies to report as a result of our examination whether the report of the management board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the report of the management board, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Beter Bed Holding N.V. by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 19 May 2015. We currently have a total period of uninterrupted engagement appointment of 1 year.

Eindhoven, 10 March 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.C. van Rooij RA

This document is a translation. In the event of any dispute as to the interpretation of any of the above, the official Dutch language version shall prevail.

Appendix to our auditor's report on the financial statements 2015 of Beter Bed Holding N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among others of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going-concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board 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 provide the supervisory board 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 supervisory board, 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, not communicating the matter is in the public interest.